Appendix A

WRITTEN COMMENTS RECEIVED ON THE 2017/2018 TABLED BUDGET

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Comments Received on 2017/2018 Tabled Budget

Considered by the Executive Mayor and Mayoral Committee on Tuesday 9 May 2017

Line No	Date		Local Community / Other Stakeholders Comments	Senior Management Comments	Resolved to Recommend to Council	
1	28/04/2017	Executive Mayoral Committtee	Request that cemetry tariffs for persons outside the municipal area to be buried in Drakenstein to increase to 6 x normal tariff. Reason is that Drakenstein is running out of available land for burials.	Support the request as a concern was raised at the budget roadshows by local communities that Drakenstein is running out of burial space.	1.1	That the burial fees for persons outside the municipal area to be buried in Drakenstein to increase to 6 x the normal burial fees.
			Requests that no pauper burials with regard to persons outside the municipal area be allowed within Drakenstein.	Support the request as a concern was raised at the budget roadshows by local communities that Drakenstein is running out of burial space.	1.2	That no pauper burials with regard to persons outside the municipal area be allowed within Drakenstein. Outsiders may be cremated.
			Requests that property rates revenue stream increase to 9.49% for 2017/2018 and for each of the outer years the CPIX plus 3%. The proposed property rates tariff compared with last years property rates will decrease with 13.93% taking into account the new general valuation roll.	Support the request as this will generate additional property rates revenue of approxiamately R10,352,371 for improved service delivery. The property rates tariff will decrease with 13.93% compared with the current property rates tariff and as a percentage of own revenue will then constitute 13.05% of total own revenue generated.	1.3	That the property rates revenue stream be increased with 9.49% and the outers years with CPIX plus 3%. The current property rates tariff will decrease with 13.93% due to the new general valuation roll to be implemented as from 1 July 2017.
			Request that the capital budgeted amount for 2017/2018 of R9,740,000 for the Windmeul Reservoir be reduced to R740,000 (saving of R9,000,000).	Support the request to bring forward much needed other capital projects.	1.4	That the capital budget amount of R9,740,000 for 2017/2018 for the Windmeul Reservoir be reduced to R740,000 resulting in a saving of R9,000,000.
			Request that the capital budgeted amount for 2018/2019 of R4,000,000 for the reconstruction of Van der Stel Street from Abbaitoir Road to Klein Drakenstein Road be brought forward to the 2017/2018 financial year.	Support the request to bring forward this much needed capital project to relieve traffic congestion.	1.5	That an amount of R4,000,000 for the reconstruction of Van der Stel Street from Abbatoir Road to Klein Drakenstein Road be included in the 2017/2018 capital budget.
			Request that the Municipal Manager's unallocated operational allocation increase with R5,000,000 for 2017/2018 to cater for capital projects needs that need to be brought forward base on the budget road shows comments received at the ward meetings. These capital projects still needs to be prioritsed by executive management.	Support the request to bring forward much needed capital projects to improve service delivery.	1.6	That an amount of R5,000,000 for 2017/2018 be allocated to the Municipal Manager's unallocated operational infrastructure vote to be funded through external borrowings. That executive management prioritise the needs and allocate the needed funds through the virement process.
			Request that the Windmeul Reservoir capital project for 2018/2019 budgeted funds be increased with the R4,000,000 savings as indicated in point 1.5 above.	Support the request to allocate the savings in point 1.5 above to the Windmeul Reservoir capital project.	1.7	That an amount of R4,000,000 for the Windmeul Reservoir capital project be budgeted for in the 2018/2019 capital budget.
2	28/04/2017	Municipal Manager	Request that the Travelling and Subsistance Policy be adjusted.	Support the request that the Travelling and Subsistance Policy be adjusted as part of the budget related policy's bundle.	2.1	That the Travelling and Subsistance Policy be adjusted.
			Request that the Petty Cash Policy be adjusted.	Support the request that the Petty Cash policy be adjusted as part of the budget related policy's bundle.	2.2	That the Petty Cash Policy be adjusted.

Line No	Date		Local Community / Other Stakeholders Comments	Senior Management Comments	Resolved to Recommend to Council	
3	29/04/2017	Provincial Treasury (Annexure A pages 3 - 89)	Comments from Provincial Government on the Draft IDP and Tabled Budget	Management's response on Provincial Government's comments are attached hereto as a PowerPoint presentation made to Provincial Government.	3.1	That the comments received from Provincial Treasury on the 2017/2018 Tabled Budget and management's response be noted.

ANNEXURE A

DRAKENSTEIN MUNICIPALITY

LG MTEC INTEGRATED PLANNING AND BUDGETING ASSESSMENT: ANALYSIS OF MUNICIPAL IDP, SDF AND BUDGET

Western Cape Government

MAY 2017

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LIST OF ACRONYMS

AQMP	Air Quality Management Plan
BESP	Built Environment Support Programme
CBD	Central Business District
CBA	Critical Biodiversity Areas
CMP	Coastal Management Programme
CSIR	Council for Scientific and Industrial Research
DCAS	Department of Cultural Affairs and Sport
DEA&DP	Department of Environmental Affairs and Development Planning
DHS/DOHS	Department of Human Settlements
DM	District Municipality
DLG	Department of Local Government
DWA	Department of Water Affairs
EPWP	Expanded Public Works Programme
FBE	Free Basic Electricity
HSP	Human Settlement Plan
IDP	Integrated Development Plan
IGP	Infrastructure Growth Plan
IIAMP	Integrated Infrastructure Asset Management Plan
IIF	Infrastructure Investment Framework
ITP	Integrated Transport Plan
ISDF	Integrated Strategic Development Framework
IYM	In-year Monitoring
IWMP	Integrated Waste Management Plan
JOC	Joint Operations Centre
kl	kilolitre
KPA	Key Performance Area

KPI	Key Performance Indicator
kWh	kilowatt hour (1000 watt hours)
LED	Local Economic Development
LUPO	Land Use Planning Ordinance
MBRR	Municipal Budget and Reporting Regulations
MDG	Millennium Development Goal
MI	Municipal Infrastructure
MIG	Municipal Infrastructure Grant
MIP	Municipal Infrastructure Plan
MMP	Maintenance Management Plan
MVA	Megavolt Amperes (1 Million volt amperes)
MWh	Megawatt hour (1 Million watt hours)
NRW	Non-revenue Water
NDHS	National Department of Human Settlements
O&M	Operations and Maintenance
PMS	Performance Management Systems
RMP	Road Management Plan
SDBIP	Service Delivery Budget Implementation Plan
SDF	Spatial Development Framework
SOP	Standard Operating Procedure
SWMP	Stormwater Management Plan
WC	Water Conservation
WDM	Water Demand Management
WSDP	Water Service Development Plan
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

SECTION 1: EXECUTIVE SUMMARY

The annual assessment of municipal budgets and Integrated Development Plans (IDPs) by provincial governments is essential. The importance of this assessment is stipulated in Chapter 5 of the Local Government Municipal Systems Act 32 of 2000 (MSA), the MSA Regulations and the Local Government Municipal Finance Management Act 56 of 2003 (MFMA). Provincial assessments afford the provincial sphere of government an opportunity to exercise its monitoring, oversight and support role to municipalities as stipulated in the Constitution. In addition, the assessments provide an indication of the ability and readiness of municipalities to deliver on their legislative and Constitutional mandates.

This report encapsulates comments by the Western Cape Provincial Government on the draft 2017/18 MTREF Budget, draft 2017 – 2022 Integrated Development Plan (IDP) and Spatial Development Framework (SDF).

The assessment covers the following key areas:

- Conformance with the MFMA, MSA & Municipal Budget and Reporting Regulations (MBRR);
- Responsiveness of draft budget, IDP and SDF; and
- Credibility and sustainability of the Budget.

The MBRR A-Schedules, budget documentation, IDP and SDF submitted by the Municipality are the primary sources for the analysis. The quality of this assessment report therefore depends on the credibility of the information contained in the documents submitted by the Municipality.

The Provincial Government plans to meet the executives of your Municipality on **11 May 2017** where the key findings and recommendations of this report will be presented and deliberated upon. The planned engagement will contextualise the Municipality's challenges and responses as taken up in the draft budget, IDP, SDF and various other strategies and plans.

An overview of the detailed assessment set out below provides the Municipality with a synopsis from each of the main sections of the report.

Outstanding findings from previous LG MTEC engagements

Progress noted in respect of LG MTEC findings include amongst others:

- The PPP process with the waste to energy project.

However recurring findings are noted as per Section 2 of the report.

Conformance with the MFMA, MSA and Municipal Budget and Reporting Regulations (MBRR)

Drakenstein demonstrated commendable technical proficiency in the preparation of the budget and maintained a good record with respect to complying with timeframes for the completion and submission of documentation in terms of the Municipal Budget and Reporting Regulations.

Partial and non-compliance in terms of various Environmental and Development Planning Legislation and Guidelines was however observed by the Department of Environmental Affairs and Development Planning and was communicated to the Municipality in a letter, reference PTR 13/5/1 (2017/18) dated 6 April 2017.

Responsiveness of IDP, SDF and Budget

The 2017 - 2022 Draft IDP notes alignment between the Integrated Development Plan and its Key Performance Areas to the National Development Plan, the Provincial Strategic Plan and at district level to the Cape Winelands Strategic Objectives, which reflects how the Municipality aligns to other spheres of government at legislative and policy level.

The Municipality has commenced with the developing of long term 15 year vision (2017 - 2032) for the development of the municipal area of an urban growth and management model premised on compact and connected cities and town however it should be extended to other rural areas within Drakenstein and also be indicated in the 2017 - 2022 Final Adopted IDP along with associated timelines and budgets.

Drakenstein has the largest population in the Cape Winelands District and although the average annual population growth rate between 2011 and 2015 was only 1.2 per cent (the lowest in the District), population numbers are still growing rapidly. The ensuing human settlement developments and increased demand for the provision of basic services places a large strain on the Municipality's already limited and strained resources. The relationship between population growth and economic growth is not necessarily leading to growing unemployment. As the number of indigent households increase, the burden of responsibility is shifted towards the Municipality who comes under increased pressure to provide free basic services.

The Integrated Transport Plan (ITP) of Drakenstein Municipality was concluded and approved by the Department of Transport and Public Works (DTPW) in 2016. Infrastructure investments should be subject to transport and traffic impact assessments to ensure the prioritisation and facilitation of sustainable travel and mobility solutions; especially Non-Motorised Transport. Although the Municipality has a well-developed road transport network, the impact of rapid population growth remains uncertain at this stage. The Municipality's long-term strategy therefore lists mobility (transport infrastructure) as a key uncertainty threatening its future growth and development prospects.

Given its close assimilation with a dignified and self-respectable life, housing remains the Municipality's single biggest service delivery challenge. As population numbers grow, the demand for housing increases at a rate faster than what the Municipality can reasonably and cost-effectively respond to. Although not a strictly spatial planning matter, the issue raised in the IDP about how further low cost housing cannot be provided until substantial investment in waste water and bulk water infrastructure is provided, is critical and must be addressed.

A major challenge facing the Municipality's solid waste management function is the limited capacity of its waste facilities. In addition to increasing the capacity of these facilities, the Municipality is proactively pursuing new and innovative waste minimisation practices as well as investigating waste-to-energy initiatives whereas the PPP process is in progress however the situation is becoming urgent as the Municipality will reach capacity by 2020.

Credibility and sustainability of the Budget

In view of projected cash shortfalls over the MTREF which will most likely be exacerbated by the current economic outlook, the following needs to be carefully considered in order to ensure the financial sustainability of municipality:

- The revenue base of the Municipality in real terms are projected to increase marginal, with limited scope to increase tariffs, as all the trading service tariffs except electricity were increased above the upper limit of inflation which can impact the affordability of the municipal bill and collection rate.
- Employee related cost pressures both annual increase and head count.
- Aggressive capital outlay and the related maintenance pressures.
- Over reliance on borrowing and the gearing ratio is proportional very high against the national norms.

- Debt service costs (interest paid and redemption) to total operating expenditure is above healthy national norms and are steadily eroding resources available for delivery services.

- Drakenstein reported low capital spending of which most concerning projects funded from borrowings which have cost implications and the Municipality need a faster return on the increased capital investment to improve the current liquidity position. Given the sub-investment grading of South Africa it will become more expensive to borrow.

- The current ratio that will deteriorate to 1:1 by the end of the MTREF which should be between 1:5 - 2:1 (national norm).

SECTION 2: PREVIOUS UNRESOLVED LG MTEC FINDINGS

The table below provides a summary of the previous LG MTEC findings, the response from the Municipality and the progress to date.

Table 1: Previous unresolved LG MTEC Findings

Critical Focus Area	Way Forward/Comment	Progress
Operating budget is a deficit budget for MTREF period, caused mainly by non-cash items.	Whilst this is not an indication of an unfunded budget it has the ability over time to reduce either the contributions to cash backed reserves or reduce the contributions to internal funds towards capital spending.	Recurring.
The sustainability of the waste management services are at risk.	The waste service is operating at a deficit does although tariffs were increase above inflation. The Municipality indicated that if the waste to energy project does not materialise it will lead to exponentially high tariff increases (of more than 100%) to cover the transport and disposal cost to the City of Cape Town's waste disposal site.	**Ongoing:** The PPP process is currently underway.
The tariff increases for property rates, electricity, water, and sanitation and refuse removal are above CPIX as projected by the National Treasury.	The affordability of the municipal bill must be considered.	**Recurring.** All user charges except property rates and electricity increased above inflation.
Capacity to implement the capital budget.	Low current and historic spending as a significant amount of capital projects are rolled-over after year-end to be completed in the next budget cycle.	**Recurring.**
The borrowing levels of the Municipality appear unaffordable and the financially sustainability, placing the municipal fiscus is at risk over the medium term.	Drakenstein's debt exposure is above the national and policy norm which place pressure on the liquidity position of the Municipality.	**Recurring.**

SECTION 3: COMPLIANCE REVIEW

This section outlines the level of compliance with the preparation and submission of the draft IDP, Draft SDBIP and Annual Budget. The detail can be found in the Appendix that was issued to the Municipality on 7 April 2017.

Table 2: Level of compliance

No	Document description	Level of Compliance	Comments
1.	Draft IDP	The Municipality adopted an Integrated Development Plan (IDP) that meets the legislative requirements in terms of section 26 of the MSA (Core Components) read in conjunction with Regulation 2 of the LG: Municipal Planning and Performance Regulations.	The Municipality should consider the following recommendations: • Expanding the vision to include the Municipality's most critical development and internal transformation needs in accordance with section 26 of the MSA. • The 2017 - 2022 Final Adopted IDP could include spatial maps that indicate the current and future development of all settlements within the municipal area.
2.	Annual Budget	Full compliance	N/A
3.	Budget related policies	Full compliance	N/A

SECTION 4: INTEGRATED PLANNING

4.1 INTRODUCTION

The IDP is the principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the Municipality. Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the Municipality.

The 2017 - 2022 IDP provides strategic direction for all the activities of the Municipality over the next five years and is linked to the council term of office. The 2017 - 2018 approach takes into consideration the integration of social, economic and environmental concerns through an analysis of environmental and socio-economic issues, the formulation of strategic development objectives, and the development of assessment and prioritisation criteria, the setting of indicators, targets and performance assessment.

4.1.1 Strategic Overview of the IDP (4th Generation IDP)

The 2017 - 2022 Draft IDP provides the Municipality's situational analysis in Chapter 4, which includes a historic and geographic profile of all the towns in the Drakenstein Municipality. According to Statistics SA Community Survey 2016, the population of Drakenstein grew from 194 413 in 2001 to 251 262 in 2011 and 270 070 in 2017. The increased need for service provision to the informal areas may be as a result of both rural-urban migration and new family formations.

The 2017 - 2022 Draft IDP includes levels of access to basic municipal services for water and sanitation, refuse removal and electricity provision. A comparative performance evaluation for service provision per service type is also reflected between Drakenstein Municipality and the Cape Winelands District. Despite growth in population between 2011 - 2016, the comparison indicates improvement in the levels of access of all the service types.

The assessment of the existing level of development in the Municipality is well reflected, however, identification of backlogs to basic municipal services per ward and/or town would add further value to the 2017 - 2022 Final Adopted IDP.

In terms of past performance, the 2017 - 2022 Draft IDP depicts Municipality's basic service provision by means of detailed narratives relating to background descriptions, challenges and service delivery levels for each service type over three financial years. The 2017 - 2022 Draft IDP comprehensively reflects the alignment of the Municipality's

Strategic Objectives to the main policy and legislative documents on national, provincial and district levels.

The 2017 - 2022 Draft IDP notes alignment between the Integrated Development Plan and its Key Performance Areas to the National Development Plan, the Provincial Strategic Plan and at district level to the Cape Winelands Strategic Objectives, which reflects how the Municipality aligns to other spheres of government at legislative and policy level.

4.2 MUNICIPAL INFRASTRUCTURE

4.2.1 Basic Service Provision

The Municipality's 2017 - 2022 Draft IDP indicates the status, challenges as well as the backlogs per infrastructure service. According to the 2017 - 2022 Draft IDP, all Informal areas within the urban edge have been provided with a minimum level of basic municipal services since 2007. The Municipality indicates that the strategies that were implemented contributed to improved access to basic municipal services. However, backlogs in service provision has increased due to a rapid migration and population growth within the region.

The 2017 - 2022 Draft IDP notes that an annual assessment is done to determine the backlogs to be addressed. Data from the last 3 years was collated for each service sector and analysed in order to identify solutions to address the service delivery issues. As annexure to the 2017 - 2022 Draft IDP, the Strategic Alignment Matrix reflects how the national, provincial and municipal targets align to each other. The 2017 - 2022 Draft IDP also makes reference to improving access to toilet facilities and clean water on privately owned farms in Simondium.

4.2.2 Municipal Infrastructure Planning

The 2017 - 2022 Draft IDP provides comprehensive information about the level of access to quality service provision for formal and informal households within the urban edge the municipal boundaries. A comparison of access to basic services is made between Drakenstein Municipality and the broader Cape Winelands District, to highlight Drakenstein Municipality's performance against the overall performance for the District over the previous three financial years.

The infrastructure planning at the Municipality generally promotes low income human settlement development. The 2017 - 2022 Draft IDP indicates that Long-term development plans are critical for informing IDPs, Annual Budgets and Service Delivery and Budget Implementation Plans (SDBIPs) in line with a municipal development vision.

Drakenstein Municipality has embarked on this journey of developing a long-term 15-year vision (2017 - 2032) for the development of the area taking into account the hierarchy and relationship of the different planning instruments. The Municipality shares the notion upheld by the Integrated Urban Development Framework (IUDF) of an urban growth and management model premised on compact and connected cities and towns.

4.3 WATER AND SANITATION

The 2017 - 2022 Draft IDP includes the status and the challenges stipulated, however the figures in Table 1 and Table 16 seem to not be aligned. Hence, the backlog eradication may be based on outdated or incorrect information. The status on water is clear however, on sanitation it is not clear as it seems to be outdated.

The 2017 - 2022 Draft IDP notes that the Municipality's Water Services Development Plan (WSDP) was updated in the 2015/16 financial year. The Municipality should note that all water and sanitation projects must be listed on the WSDP and IDP. The 2017 - 2022 Draft IDP also notes that the Municipality has a Water and Sanitation Master Plan.

The 2017 - 2022 Draft IDP indicates projects that addresses the Municipality's backlogs in service provision per town and ward and the Municipality has a plan in place to address backlogs which is aligned to the national targets for basic service provision. To address backlogs in services on farms and private owned land outside of major towns, the Municipality has tankers to service such areas.

4.4 TRANSPORT AND ROADS

The Integrated Transport Plan (ITP) of Drakenstein Municipality was concluded and approved by the Department of Transport and Public Works (DTPW) in 2016.

It should be noted that the District Municipality should consider a Chapter 8 investigation as determined by the Municipal Systems Act in order to determine the institutional arrangements for the rendering of the public transport function within its area of jurisdiction.

Infrastructure investments should be subject to transport and traffic impact assessments to ensure the prioritisation and facilitation of sustainable travel and mobility solutions; especially Non-Motorised Transport. It should also be noted that Infrastructure investments should give effect to the Municipality's Strategic Objectives and key development priorities.

The Department of Transport and Public Works (DTPW) will only commit to funding for ITP related projects where there are already existing formal agreements in place between the DTPW and the Municipality.

4.5 HUMAN SETTLEMENTS

The 2017 - 2022 Draft IDP includes a list of the current issues being experienced in the human settlements arena. It also gives a detailed breakdown of the housing accommodation situation within the Municipality.

The 2017 - 2022 Draft IDP provides clear housing demand for the whole municipal area, which is however not disaggregated per settlement, or income category or housing typology.

The 2017 - 2022 Draft IDP reflects the approval of the Municipality's Human Settlement Plan by council in September 2014. The 2017 - 2022 Draft IDP places great emphasis on rural development and provides a clear link between this objective and human settlement development in Simondium specifically.

The Strategic Objective that relates to human settlements development in the 2017 - 2022 Draft IDP align to the Strategic Objectives of the Department of Human Settlements. The Housing Pipeline reflected in the 2017 - 2022 Draft IDP seems to outdated and not aligned with the latest Human Settlement Business Plan of the Department.

4.6 DISASTER MANAGEMENT

The Municipality is commended for its efforts to increase the capacity for Disaster Management.

The 2017 - 2022 Draft IDP reflects a number of risk reduction initiatives which forms part of its Key Performance Area on Emergency Management.

The Municipality is commended for its efforts to increase the capacity for Disaster Management however, the establishment of a Disaster Management Forum should be prioritised.

4.7 ECONOMIC DEVELOPMENT

The 2017 - 2022 Draft IDP reflects the current status, key challenges, needs and backlogs in terms of local economic development, however no reference is made in terms of prioritisation. The 2017 - 2022 Draft IDP notes that while commercial services and construction are the growing sectors, the Agriculture, Forestry and Fishing and manufacturing sectors are slowly declining. Despite this, Agriculture Forestry and

Fishing remain the primary sector, followed by the Manufacturing sector where after the Commercial Services follows as tertiary sector.

Support for SMMEs as well as informal traders is listed as a priority in the Local Economic Development (LED) unit. The Municipality plans to use the current projects to address its economic priorities identified in 2017 - 2022 Draft IDP through: Integrated management, Empower and Skills development, SMME Development, Technology and Innovation and Green economy. The Municipality indicate the establishment of a partnership with Wesgro for tourism investment strategies as a plan to ignite local economic development, however no indication of cross-regional economic development is present.

4.8 AGRICULTURE

The 2017 - 2022 Draft IDP notes the importance of the agriculture sector to the economy of the Drakenstein Municipality and express concern for the slowdown in growth experienced by this sector. The identification of increased pollution of the Berg River adds more pressure to the growth and employment potential of this sector. The Municipality's action plan to develop a strategy with short, medium and long-term interventions is noted.

The Municipality has incorporated droughts and floods as part of the Implementation Matrix under Key Focus Area 27 to develop a drought and Flood plan. In this regard the Municipality is reminded of the recently adopted Western Cape Climate Change Response Framework from which valuable information regarding adaptation and mitigation strategies/interventions for Drakenstein Municipality can be obtained.

Although the 2017 - 2022 Draft IDP provides an excellent demographic profile for each of the 33 wards, it is challenging to extract information on the situation around the rural population and specifically the agricultural workers on farms.

4.9 SOCIAL SERVICES (HEALTH, EDUCATION, SAFETY AND SECURITY, CULTURAL AFFAIRS AND SPORT, SOCIAL DEVELOPMENT)

4.9.1 Health

The 2017 - 2022 Draft IDP reflects a comprehensive analysis for all demographic information in terms of health and comparisons within the sub district, as well as access to municipal services. The demographic trends are well covered and provide a clear indication of the impact on health.

The 2017 - 2022 Draft IDP makes no reference to the health and wellness analysis in respect of the burden of disease, neither to causes of premature death. Reference is made to a HIV/AIDS policy however, no detail of the plan is provided.

The 2017 - 2022 Draft IDP refers to the link between poor water and air quality and the negative impact it may have on the health and vitality of people and business in the Drakenstein area.

4.9.2 Education

The 2017 - 2022 Draft IDP provides education specific statistics that relates to the 2011 - 2016 financial years. To this end, the Western Cape Department of Education will provide the Municipality updated statistics for inclusion in the 2017 - 2022 Final Adopted IDP on request.

4.9.3 Community Safety

The Department of Community Safety (DOCS) notes that the Municipality makes use of different strategies, programmes and projects aligned to objectives and targets to ensure Safety to communities in the municipal area.

Reference to the promotion of safety and the linkage to the Millennium Development Goals, National Development Plan, Vision 2030, Provincial Strategic Plan (specifically Provincial Strategic Goal 3), as well as to the Game Changer on Alcohol Harms reduction are acknowledged.

Partnerships with citizens is important for safety of communities, hence the 2017 - 2022 Draft IDP takes into consideration safety through neighbourhood watches, amongst others. It is also noted that the 2017 - 2022 Draft IDP makes reference to community services and involvement of stakeholders i.e. the partnership with Violence Prevention through Urban Upgrade and the impact on open spaces is significant.

4.9.4 Cultural Affairs and Sport

The 2017 - 2022 Draft IDP indicates that the Municipality provides for and maintains a number of sports facilities ranging from rugby to cycling. The draft also indicates that the Municipality will have a special focus on arts, crafts and culture. The promotion of arts, crafts and culture will therefore be significantly increased.

The 2017 - 2022 Draft IDP identifies the challenges associated with this new focus and specifies an action plan to address these challenges. It is noted that all libraries in the Municipality now have internet access available to them. The department note that challenges such as the permanent appointment of staff and more space at some libraries however remain.

4.9.5 Social Development

The 2017 - 2022 Draft IDP indicates a strong focus on the following areas; Early Childhood Development, Gender, Elderly, Youth and Disability which relate to the Municipality's Key Performance Area 7 on Social and Community Development.

The Municipality has started a process to establish a Local Drug Action Committee in cooperation with the Department of Community Safety.

4.10 PUBLIC PARTICIPATION

According to the 2017 - 2022 Draft IDP, the Public Participation Policy was adopted by Council on 25 March 2015 after a consultative process. The 2017 - 2022 IDP public participation process comprised of 33 ward meetings, 6 IDP Sector Engagements and 1 Top 100 Electricity Consumers Forum during September and October 2016. The IDP public meetings are conducted to ensure that people are included in the planning and to assist the Municipality to achieve its long-term development objectives.

Ward Committees were elected during October and November 2016 and Induction Training of elected Ward Committee Members took place during the month of February 2017. The Municipality has resolved to establish an IDP Representative Forum to further enhance community participation in IDP processes.

The 2017 - 2022 Draft IDP includes key municipal wide needs, challenges and priorities emanating from a series of public consultations. The 2017 - 2022 Draft IDP includes community needs per ward aligned to each of the seven strategic objectives.

4.11 INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

The 2017 - 2022 Draft IDP indicates that the Municipality regularly review its organisational structure to maximise service delivery efficiency and effectiveness. The current macro structure reflects two vacant top management posts.

The overall vacancies mainly relate to the level of semi-skilled and discretionary decision making. The Drakenstein Municipality's commitment to ensure that there is a culture of performance management is evident and is therefore acknowledged.

The 2017 - 2022 Draft IDP notes that the Municipality has an approved performance management system (PMS) which is implemented. Performance is being measured, evaluated and reviewed regularly, while action plans are being developed to address poor performance. However, there is still a challenge in mainstreaming of the performance management framework to all employees.

4.12 JOINT PLANNING INITIATIVES

The 2017 - 2022 Draft IDP makes reference to the four Joint Planning Initiatives (JPIs) of the Drakenstein Municipality which relate to the following: Youth Unemployment, Human Settlements, Economic Development and unlocking key economic drivers and Responding to the Street People challenge.

SECTION 5: ENVIRONMENTAL AND DEVELOPMENT PLANNING ANALYSIS

5.1 SPATIAL DEVELOPMENT ANALYSIS

5.1.1 Directorate Planning Intelligence Management and Research

The IDP is the principle plan to coordinate an integrated response to the current realties of Drakenstein, taking development, policy and transformation objectives and imperatives into account. The SDF (being a core component of the IDP) ought to give effect, inter alia, to the spatial governance matters of coordination, spatial targeting, alignment and sequencing of interventions in accordance with sequenced implementation and action plans and strategies in the IDP and SDF.

The 2017 - 2022 Drakenstein Draft IDP sets out the strategic intent of the Municipality in a clear and well-articulated way, however the IDP is not yet the cohesive, integrated and strategic document required to guide the transformational needs of Drakenstein, and to lead in the Municipality in achieving growth and development objectives. The IDP would benefit from a more in-depth reflection on linkages with neighbouring municipalities, the regional space-economy context of Drakenstein as the lead secondary city in the Western Cape Province, and its role and context within the bigger Cape Metro functional area.

The IDP is the principle plan to coordinate an integrated response to the current realties of Drakenstein, taking development, policy and transformation objectives and imperatives into account. The SDF (being a core component of the IDP) ought to give effect, inter alia, to the spatial governance matters of coordination, spatial targeting, alignment and sequencing of interventions in accordance with sequenced implementation and action plans and strategies both in the IDP and SDF. The IDP needs to display clear linkages with the SDF and the recently prepared Regional Spatial Implementation Framework.

The final IDP and, where it may be relevant, the SDF need to give due consideration to and include the most recent up to date information of the planned investment and development initiatives of all spheres of government for the MTEF, and indicate linkages with the strategies and geographical targeted areas to achieve integrated service delivery and efficiency through spatial alignment. This presupposes that implementation plans in the IDP and SDF need to be comprehensive, aligned, synergistic, linked to strategies and objectives to achieve the desired outcomes, and adequately resourced. Some of the sector plans for Drakenstein remain dated, detracting from the ability of the IDP to draw on the most recent up to date information as informants to the IDP strategies.

It is therefore suggested that the final IDP, and to a lesser extent, but where it may be relevant, the SDF are updated with credible and up to date information (adequately referenced). Reference to the situational analysis in particular, as well as the legislative and policy overview sections, followed by a full analysis and synthesis of the information, are required. This must then be linked to the IDP and SDF strategies, thus aligning the IDP for Drakenstein with the directives and imperatives envisaged in various key local, provincial, national and relevant international policies, key frameworks and strategies.

The importance for Drakenstein to have development planning decision-making instruments in place, to enable informed, swift and responsive decision-making under the new SPLUMA 2013 dispensation is paramount.

5.1.2 Spatial Planning

Although not a strictly spatial planning matter, the issue raised in the IDP about how further low cost housing cannot be provided until substantial investment in waste water and bulk water infrastructure is provided, is critical and must be addressed at the upcoming LG MTEC engagements.

Given the development pressures experienced in the "rural areas" outside of the settlements in Drakenstein Municipality, we once again urge the Municipality to strongly consider amending the definition of "retained rural areas" to not allow for low density housing developments outside of the urban edge.

It is not clear if money has been set aside in the budget for the "Paarl South New Public Link Road" or the "Gouda Transport Logistics Hub", both of which are included as projects in the list of "High Priority IDP Status Implementation Projects" in the SDF.

5.2 BIODIVERSITY MANAGEMENT

Critical Biodiversity Areas and Critical Ecological Support Areas (CBAs & CESAs) are adequately defined in various maps and ecological corridors given spatial planning categories in the SDF. The 2017/2018 municipal IDP, in terms of KFA 32 Environmental Management, mentions the biodiversity plan within the Municipality which is essential for development planning. From the department's point of view, biodiversity, in particular CBAs and ESAs, should be given the highest level of protection in development planning.

The Municipality has set aside a budget for environmental protection with the core function being Biodiversity and Landscaping. It is recommended that the Municipality allocates a budget to develop the Alien Invasive Control Management Plan in compliance with the provision of NEM: BA.

5.3 CLIMATE CHANGE

Climate change is a transversal issue and will impact on all line departments in the Municipality. As such, climate change responses need to be fully integrated into project design, planning and budgeting phases of all projects in order for the Municipality to respond to climate change as well as to enhance its decision-making.

Unless specifically stated, a review of the tabled budget cannot indicate whether climate change considerations have been included in these projects and budget development; it is however not the intention for climate change to be a line item in the municipal budget. A much greater level of sector engagement and understanding is required in order to assess the extent of climate change mainstreaming into budgets.

The Municipality is encouraged to review the Climate Change Advisory document sent in September 2016 providing information on how climate change can be mainstreamed into budgets and project planning.

5.4 AIR QUALITY MANAGEMENT

Although the AQMP has been incorporated into the Municipalities Integrated Development Plan (IDP) and meets content requirements listed in section 16 of the NEM: AQA; there is no budget allocated for air quality management activities.

Funds should ideally cover the following: air quality monitoring (passive or continuous monitoring of air pollutants), staff training and implementing air quality intervention strategies.

It must be noted that an Air Quality by-law provides for air quality management, reasonable measures to prevent air pollution and the control of dust, noise and offensive odours.

Furthermore, monitoring of ambient air quality and point, non-point and mobile source emissions enables municipalities to report on its compliance with ambient air quality standards.

5.5 WASTE MANAGEMENT

5.5.1 Waste Management Licensing

Drakenstein Municipality has seven (7) operational Facilities, including three (3) Waste Disposal Facilities (WDFs), three (3) Drop-off Facilities, and one (1) Refuse Transfer Station (RTS)/Material Recovery Facility (MRF). The Gas Monitoring Report for the Wellington WDF also showed high levels of methane, which must be investigated. No additional infrastructure is required until 2019, although an additional transfer station

or material recovery facility will be required if the Waste-to-Energy project is unsuccessful.

Hermon WDF and the Drop-off facilities of Gouda, Hermon and Saron were not audited in the last year. No costs are necessary for compliance.

Wellington WDF

The Wellington WDF was last audited on 14 September 2016 and received a Departmental Compliance Audit score of 87.5 per cent. The total cost of required infrastructure to enable the Wellington WDF to comply with conditions of their permit/waste management licence will be approximately R4.38 million.

Gouda WDF

The WDF was not audited in the last year. The total cost of required infrastructure to enable the Gouda WDF to comply with conditions of their permit/waste management licence will be approximately R5.18 million.

Paarl RTS/MRF

The Paarl RTS/MRF was last audited on 2 October 2015 and received a Departmental Compliance Audit score of 72 per cent. The total cost of required infrastructure to enable the Paarl RTS/MRF to comply with conditions of their permit/waste management licence will be approximately R10.18 million.

5.5.2 Waste Management Planning

Drakenstein Municipality must budget for the development and implementation of their 3rd Generation Integrated Waste Management Plan within their 4th Generation IDP.

5.5.3 Waste Information Management

In accordance with the National Environmental Management: Waste Act (59/2008): National Waste Information Regulations all municipalities will be required to submit actual quantities of waste for the different activities they are registered for on IPWIS from 2018. It is therefore imperative that municipalities are required to allocate funding and make provision for the acquiring of such equipment in their municipal budgets for the financial year 2017/18.

Municipalities who currently make use of a waste estimation system, will have to make provision for acquiring of the equipment to obtain actual weights.

Drakenstein Municipality has only one (1) waste management facility that is required to register and report on IPWIS:

- Wellington Landfill

  This facility is **Non-Compliant** in terms of reporting on IPWIS. The Municipality has a weighbridge and is therefore able to report accurate waste quantities. The information currently reported for Wellington Landfill site can however not be verified as the Municipality is not submitting supporting information, such as weighbridge reports, to the Department. The information reported on IPWIS is for waste disposed only, and no diversion information has been reported.

5.5.4 Waste Policy & Minimisation

The Municipality has allocated a budget for waste management and this has been indicated in their 2016 - 2021 Annual Budget and Medium Term Revenue & Expenditure Framework.

5.6 POLLUTION AND CHEMICALS MANAGEMENT

Although the Local Municipality (LM) partially complies regarding the section 30 (Control of Incidents) function of the National Environmental Management Act, it is imperative that the LM identify an already appointed official to carry out this function. In order to protect buyers from purchasing land that may be contaminated, the LM should keep a database of contaminated land sites to prevent the transfer of contaminated land to unsuspecting parties (Contaminated Land: Part 8 of the National Environmental Management: Waste Act). The budget is not responsive to the section 30 function nor to Part 8 of NEM: WA (contaminated land). Funds for cost of travel and accommodation to enable identified officials to attend training for both of these should be clearly earmarked in the budget. Budget should also be allocated for travel by identified official to potential section 30 incident sites within the LM.

SECTION 6: ASSESSMENT OF THE BUDGET RESPONSIVENESS

6.1 SOCIO-ECONOMIC RESPONSIVENESS AND IMPACT

6.1.1 Introduction

This section examines if the tabled 2017/18 MTREF Budget is responsive from an economic and socio-economic perspective and whether the Municipality is able from its limited resources to meet the legitimate expectations of the community for services.

Municipal sustainability requires successful socio-economic development and spatial transformation. The best way to grow and sustain a municipal revenue base, deliver basic services, and reduce the number of poor households, is by growing the economy in an inclusive way.

After a bleak performance in 2016, the National Treasury forecasts anticipates growth to accelerate by 1.3 per cent in 2017 and further by 2 per cent in 2018.[1] The recovery is anticipated to be driven by higher consumer spending and, in 2018, an improvement in fixed investment. From the production side, higher output in the agricultural sector could filter through to other sectors of the economy, including manufacturing.

However, apart from the challenges brought about by subdued commodity prices, a number of other challenges are having an impact on the economy, such as the drought (causing increases in domestic food prices) and the currency depreciation, high inflation, and uncertainty in international markets (due to Brexit and the slowing down of the Chinese economy).

The recent downgrading of South Africa's sovereign credit rating to sub-investment grade ("junk status") by Standard & Poor and Fitch rating agencies also may have further economic and fiscal implications. A country with a junk status rating is seen as being a risk for defaulting on its debt. Possible consequences of the downgrade to sub-investment grade ("junk status") may result in higher borrowing costs and debt services costs, a weaker exchange rate and lower investment potential and therefore lower economic growth. Increasing inflationary pressures as a result of depreciating exchange rate and any potential increase in the interest rate will put further pressure on government departments, municipalities, households and businesses. As a result, the already constrained fiscal framework may be negatively affected by the recent credit downgrade.

[1] Western Cape Government, 2017 Budget Summary

Drakenstein and its surrounding areas are currently experiencing significant population growth. The ensuing human settlement developments and increased demand for the provision of basic services places a large strain on the Municipality's already limited and strained resources.

6.1.2 Overview of the socio-economic context/environment

A municipal budget is informed and influenced by a wide range of national, provincial and local socio-economic variables and assumptions that influence strategic allocations. These assumptions form the baseline from which a municipality makes projections and allocations across the three years of the MTREF.

Table 3: Municipal Overview

District Municipality	Population size			GDP	
	2011	2015	Average Annual Growth	GDP (R in Million) 2015	GDP Per capita
Western Cape	5 822 734	6 125 538	1.3%	391 573	63 925
Cape Winelands District	787 490	831 716	1.4%	44 161	53 096
Drakenstein	251 262	263 912	1.2%	14 404	54 579

Source: Stats SA Census 2011, population projections (Department of Social Development), Quantec and own calculations

Comments

- Drakenstein has the largest population in the Cape Winelands District and although the average annual population growth rate between 2011 and 2015 was only 1.2 per cent (the lowest in the District), population numbers are still growing rapidly. At the same time, the Municipality enjoys relatively high per capita GDP which indicates that there is a strong correlation between population growth and economic growth.

- The relationship between population growth and economic growth is not necessarily leading to growing unemployment. As the number of indigent households increase, the burden of responsibility is shifted towards the Municipality who comes under increased pressure to provide free basic services.

- A municipal budget is informed and influenced by a wide range of national, provincial and local socio-economic variables and assumptions that influence strategic allocations. These assumptions form the baseline from which a municipality makes projections and allocations across the three years of the MTREF. It is therefore vital that the Municipality discloses these assumptions as part of its annual budget documentation.

- Supporting Schedule SA9 in the budget subsequently outlines the social, economic and demographic statistics the informed the current 2017/18 MTREF budget allocations.

Table 4: Social and economic statistics and assumptions (SA9 information)

Indicator	Municipal information, SA9
Household numbers	
Number of households in municipal area	72 797
Definition of poor household (R per month)	Approximately less than R4 000 a month
Housing	
Formal	65 736
Informal	7 061
Total	72 797
Monthly household income	
No income	13.7
< R2 060 per month	

Comments/Risks

- The socio-economic assumptions for 2016/17 as detailed in SA9 align with the information contained in the 2016 MERO and SEP-LG. The Municipality reworked this data as per the average growth trends to obtain accurate and credible assumptions for the current 2017/18 year.

6.1.3 Overview of the Key Priorities in terms of IDP Strategic Objectives

The 2017/18 MTREF budget breakdown in terms of the strategic objectives is indicated in the table below. Drakenstein Municipality budgeted for a total operating expenditure of R2.17 billion and a total capital budget of R633.1 million in the 2017/18 financial year.

Table 5: Strategic Objectives for the 2017/18 Medium Term Revenue & Expenditure Framework

Drakenstein Supporting Table SA5 & SA6 Reconciliation of IDP Strategic Objectives and Budget (Operating and Capital Expenditure)									
Strategic Objective	2017/18 Medium Term Revenue & Expenditure Framework OPEX			2017/18 Medium Term Revenue & Expenditure Framework CAPEX			2017/18 Medium Term Revenue & Expenditure Framework TOTAL		
R thousand	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20	Budget Year 2017/18	Budget Year 2018/19	Budget Year 2019/20
To promote proper governance and public participation.	54 565	58 307	62 336	4 620	4 950	5 280	59 185	63 257	67 616
To ensure the financial sustainability of the Municipality in order to fulfil the statutory requirements.	69 110	229 748	252 458	1 500	–	–	70 610	229 748	252 458
To provide an effective and efficient workforce by aligning our institutional arrangements to our overall strategy in order to deliver quality services.	110 991	116 203	129 906	17 021	22 647	20 929	128 012	138 850	150 835
To ensure efficient infrastructure and energy supply that will contribute to the improvement of quality of life for all citizens within Drakenstein and to improve our public relations thereby pledging that our customers are serviced with dignity and care.	1 501 891	1 498 273	1 588 584	548 849	382 182	286 199	2 050 740	1 880 455	1 874 783
To facilitate sustainable economic empowerment for all communities within Drakenstein and enabling a viable and conducive economic environment through the development of related initiatives including job creation and skills development.	27 093	29 106	31 234	3 250	–	–	30 343	29 106	31 234
To contribute to the health and safety of communities in Drakenstein through the pro-active identification, prevention, mitigation and management of health including environmental health, fire and disaster risks.	146 184	153 117	160 671	515	1 522	385	146 699	154 639	161 056
To assist and facilitate with the development and empowerment of the poor and the most vulnerable. These include the elderly, youth and disabled.	262 506	335 653	266 952	57 387	26 868	25 435	319 893	362 522	292 387
Total Expenditure	2 172 341	2 420 408	2 492 141	633 142	438 169	338 228	2 805 483	2 858 577	2 830 369

Source: Drakenstein Municipality 2017/18 tabled budget

As per above, the bulk of the operating budget has been directed towards key performance area 4 (strategic objective) which is aimed at ensuring efficient infrastructure and energy supply that will contribute to the improvement of the quality of life for all citizens. Consideration of budget Schedule A2 reveals that the majority of this allocation will be directed towards the trading services function, i.e. the continuous provision of essential basic services.

Most of the capital budget (R548.8 million) has also been directed towards this strategic objective, and, as per Schedule A5, the trading services function. The budget report indicates that of this amount, a total of R488.8 million will go towards basic service infrastructure which will give effect to the Municipality's commitment towards effective infrastructure development as enabler of enhanced economic growth.

Closer consideration of allocations made in SA5 and SA6 however reveal that the capital budget as a percentage of total expenditure across the MTREF decreases dramatically from 22.6 per cent in 2017/18 to 11.9 per cent in 2019/20. It is assumed that the decrease is a result of capital projects being finalised or that enhanced infrastructure expansions will necessitate increased operation costs to maintain these assets.

6.2 BUDGET RESPONSIVENESS ASSESSMENT

The assessment of local government sustainability will analyse the use of various levers, (namely; infrastructure, LED, skills development and provision of basic services) within the Municipality's control that support economic growth, employment and improvements in the quality of life and how the Municipality optimally allocates the existing resources within its budget in order to effect inclusive growth and therefore contributing to economic sustainability over the long term.

6.2.1 Economic growth

Current Reality

- Drakenstein is currently the leading local economy in the Cape Winelands with a GDPR contribution of 33.3 per cent. Despite this significant contribution, Drakenstein's GDP growth rate in the post- recessionary period (2.6 per cent) has been relatively low in comparison to the other local municipalities.

- In 2015, Drakenstein's economy was largely supported by the strength of the finance, insurance, real estate and business services (24.3 per cent contribution to GDP) as well as the wholesale and retail trade, catering and accommodation (18.5 per cent) sector. These two sectors also maintained the highest GDPR growth trend rates in 2015 at 4.1 and 4.2 per cent respectively.

- Finance, insurance, real estate and business services is expected to be the fastest growing sector for the period 2016 – 2021 (4.3 per cent growth) followed closely by the construction sector (4.2 per cent).

Infrastructure development:

Current Reality

- Drakenstein's economic infrastructure investments is intensified by a major population influx and increased demand for basic services, poses several socio-economic development challenges which must be overcome should the Municipality wish to achieve its vision of becoming a place of excellence.

- An increase in economic activity is closely linked to an increase in electricity consumption and as such the Municipality should mobilise its resources to expand the current electricity network. Electrification efforts in and around informal settlements has also created a sudden backlog that will strain municipal resources. The Municipality is proactively busy applying measures to reduce the region's electricity consumption by promoting effective and efficient usage. These efforts will include green and alternative energy production methods. The rising costs of bulk electricity purchases has also posed a significant challenge as the Municipality is forced to transfer the tariff increase burden to the consumer.

- The Municipality's road transport function is primarily directed towards general road expansion and maintenance, upgrading of gravel roads to tarred surfaces as well as the management of storm water infrastructure. These efforts are capital intensive and therefore place a heavy strain on the Municipality's budget.

- Although the Municipality has a well-developed road transport network, the impact of rapid population growth remains uncertain at this stage. The Municipality's long-term strategy therefore lists mobility (transport infrastructure) as a key uncertainty threatening its future growth and development prospects. The Municipality's road transport function is also closely linked to its efforts to address spatial integration. As per the IDP, traveling costs into the central business district and a lack of sufficient employment opportunities in outlying farms areas makes livelihood outside of the urban centre problematic. In response, the Municipality aims to concentrate future housing initiatives in the town centre which will increase the load on the current road network.

- Drakenstein maintains exceptionally high water and sanitation service delivery standards to the extent that all formal erven have access to metered water and sewer connections. This function does however come under increased pressure amidst ageing infrastructure and the roll-out of services to informal settlements. The IDP is relatively silent as to the impact of the current drought on its ability to provide water related services and the potential impact thereon on its revenue streams. That being said, the IDP implementation matrix does indicate that a Drought and Flood Plan will in turn be submitted to the Mayoral Committee in early 2017.

- The Municipality provides an extensive array of solid waste management services including refuse collection, solid waste disposal and the treatment thereof, the management of solid waste facilities, waste minimisation as well as the cleanup of open and public spaces. Although solid waste management is a very labour intensive function, the Municipality manages to provide refuse removal services to all formal erven at least once a week. The biggest challenge facing the Municipality's solid waste management function is the limited capacity of its waste facilities. In addition to increasing the capacity of these facilities, the Municipality

is proactively pursuing new and innovative waste minimisation practices as well as investigating waste-to-energy initiatives.

Budget implications

- Drakenstein's 2017/18 capital budget allocations will sufficiently give effect to the priorities identified in the long-term development strategy (Vision 2032) which will allow the Municipality to achieve its *desired state* of becoming a place of excellence. The Municipality's total capital budget for 2017/18 amounts to R633.1 million. It is worth mentioning that although the Municipality's capital budget is predominantly directed towards trading services (basic service infrastructure), capital expenditure in 2017/18 also entails substantial investments towards economical, operational and social infrastructure.

- Whilst the majority of the capital budget (R480.2 million; 75.8 per cent) will be directed towards the trading services budget, the single largest allocation is towards the waste water management function to the extent of R256.7 million. This allocation responds particularly well to the Municipality's efforts to rehabilitate and replace ageing waste water infrastructure and to expand the scope of these services to informal settlements. A total of R10.0 million has specifically been allocated towards storm water and sewerage as part of housing delivery projects whilst other major projects for 2017/18 include upgrades and extensions to the Paarl waste water treatment works (R76.3 million) as well as the rehabilitation and extension of the Wellington waste water treatment works (R142.0 million).

- A total of R125.8 million of the capital budget will in 2017/18 be applied to improve the Municipality's water infrastructure (especially the pipe infrastructure network) including the expansion of the current network to informal settlements. Major projects (as per budget schedule SA36) include the completion of the Newton reservoir and pump station (R9.5 million), Welvanpas water treatment works (R17.3 million) as well as construction of the Courtrai reservoir and bulk supply pipeline (R18.5 million). At R97.7 million, the Municipality's capital budget towards the electricity function is relatively small in comparison to the amount appropriated in 2016/17 (R149.6 million original allocation). Although the budget schedules list several capital projects to be funded from this allocation, it is unclear whether this amount will be able to sustain the increased demand for electricity services as conceded in the IDP.

- Capital allocations towards the waste management function remains small across the MTREF with zero capital funding directed towards this function in 2017/18. The Municipality has however completed several large scale waste management infrastructure projects recently, most notably the Drakenstein Landfill Facility in Wellington.

- The capital budget responds particularly well to the increased need for an expanded transport network by means of a R66.0 million allocations towards the road transport function, the majority of which will be applied to upgrade Bergrivier Boulevard (R37.4 million in 2017/18 and R33.3 million in 2018/19). The Municipality received grant funding from the provincial sector department for this project.

Local Economic Development:

Current Reality

- Drakenstein's economic development vision is rooted within Key Performance Area 5: Planning and Economic Development and will be effected through the implementation of the Municipality's Integrated Economic Growth Plan which in turn aligns to Provincial Strategic Goal 1: Job Creation and Growth.

- The Municipality has a holistic approach towards economic development whereby the prioritisation of key sectors, initiatives and strategic focus areas will combine to over time enable sustainable economic growth.

- These key priority areas include, but are not limited to red tape reduction initiatives, development of the informal trading sector, improved opportunities for previously disadvantaged communities, enhanced infrastructure investments as well as the approval of building and development plans.

- Economic growth and development is of course also closely linked to job creation, skills development and in turn, poverty alleviation. As such the IDP provides a detailed overview of the Municipality's current labour market and skills level composition.

Budget Implications

- The Municipality's local economic development priorities are funded through a R11.2 million allocation from the operating budget to give effect to strategic priority projects such as the implementation of a business retention and expansion strategy and a municipal red tape reduction programme.

- This allocation will also fund the Municipality's skills development efforts that are predominantly focused at artisan skills training initiatives and intervention programmes for the youth. These projects and the subsequent education outcomes will be aligned to the demand for scarce skills within priority sectors within the economy such as agriculture, wholesale and retail as well as tourism, finance and manufacturing. The Municipality also directly facilitates job creation by creating employment opportunities as part of its Expanded Public Works Programme and Community Work Programme.

- An amount of R3.2 million from the operating budget has also been directed towards corporate wide strategic planning and will be applied towards the development of the IDP and LED strategy.

- Capital allocations towards local economic development and tourism as part of Vote 4 is limited to R800 000. Consideration of SA36 reveal that this amount will be applied to fund an informal trading kiosk as part of the VPUU project (R500 000) as well as a tourism information office in Wellington (R300 000). SA36 also lists an amount of R538 000 to be applied towards an informal trading kiosk in Paarl. It is however unclear from budget schedule A5A towards which function this amount is attributed.

- Significant operating allocations to the value of R9.7 million has also been made towards town planning and building regulations. This function will contribute towards LED by reducing delays in approving building and development plans which will in turn boost the construction industry.

- Other budget allocations and initiatives such as skills development and infrastructure investment that contributes towards the local economic development function will be discussed elsewhere in this assessment.

6.2.2 Quality of Life

Current Reality

- Rapid regional population growth severely complicates the Municipality's ability to effectively plan and budget for the delivery of essential basic services and as such service backlogs does currently exist.

- The tabled IDP is not consistent in terms of its reference to access to basic services in relation to the 2015/16 annual report data.

- The Municipality has made great strides to reduce the water backlog between 2011 and 2016, a total of 297 of all formal households in 2015/16. Approximately, 148 (rural) households does not have any access to water.

- There were substantial sanitation backlogs within the municipal area in 2015/16 to the extent that a total of 354 households within informal areas did not have access to any form of sanitation services.

- An estimated 15 452 households did in 2015/16 not have access to electricity for lighting purposes. The 2015/16 annual report indicates that the main challenges experienced by the energy directorate include staff shortages, ageing fleet,

capital and operational shortages, a lack of office space as well as the unresponsiveness nature of staff structures.

- The Municipality's Indigent Support Policy dictates the provision of free basic services which is current provided to households earning a combined gross income of equal or less than twice the monthly government social grant allocations to old-age pensioners or disabled people, plus 25 per cent. Qualifying households are subsequently provided with 10 kl of free water, 100 kWh free electricity, free sanitation services, one refuse removal per week as well as property rates in line with the value of the property. All households in the municipal area are provided with 10 kl of free water. It is expected that the rapid population growth coupled with increased economic hardship will increase the demand for free basic services.

- Given its close assimilation with a dignified and self-respectable life, housing remains the Municipality's single biggest service delivery challenge. As population numbers grow, the demand for housing increases at a rate faster than what the Municipality can reasonably and cost-effectively respond to. As per the IDP, formal dwellings has in recent times decreased as a percentage of the total number of dwellings whilst informal dwellings in turn increase. The Municipality's resources are therefore further strained in an effort to provide basic services to informal settlements.

Budget Implications

- Drakenstein's total operating budget amounts to R2.1 billion in 2017/18, the majority (R1.290 billion) of which will be allocated towards the continuation of basic services and the roll-out of such services to new human settlement developments in response to increased population growth. The total operating budget towards trading services increase from R1.27 billion in 2016/17 (original budget) to R1.290 million in 2017/18 which constitutes a 3.4 per cent growth. In comparison with the 2016/17 full year forecast of R1.294 million, the 2017/18 allocation actually decreases. It is unclear whether these allocations will be able to respond to the increased demand for basic services.

- The allocation for waste minimisation has decreased by 2.4 per cent from R115.6 million in 2016/17 (original allocations) to R112.9 million in 2017/18. The allocation furthermore increases 1.0 per cent between 2017/18 and 2018/19.

- Operational expenditure towards the electricity function increased only marginally by 0.1 per cent from R881.0 million in 2016/17 (original allocation) to R882.0 million in 2017/18. It is expected that operating costs will increase more substantially given the rising cost of electricity and the subsequent tariff increases.

- The relatively small increase in operating expenditure highlighted above becomes evident upon consideration of basic service delivery targets detailed in budget Schedule A10. Despite its efforts to improve service delivery, the projected water and sanitation backlogs increase across the MTREF. In addition, despite the 2015/16 annual report indicating that a significant number of households did not have access to electricity service above the minimum standard, A10 makes no reference to any backlogs. Service delivery targets and associated budget allocations for free basic services increase adequately between 2016/17 and 2017/18 continue to increase proportionately across the MTREF.

- Although the IDP indicates that the Municipality has a proactive integrated human settlements plan (5-year housing plan) and that it effectively coordinates activities relating to the management of rental stock and informal settlements, funding remains a major impediment. These funding constraints are clearly illustrated by the fact that operating expenditure towards the housing function only amounts to R148.0 million which allows the Municipality to provide 400 housing opportunities. Furthermore, capital expenditure is limited to R22.1 million. Details regarding the specific initiatives to be funded by the capital allocation in 2017/18 remain unclear as the IDP only contains a list of 2016/17 projects.

6.3 PARTNERING AND PARTNERSHIPS

Partnerships give effect to policy imperatives in a more resource efficient manner. Due to increasing constraints on local government funding, municipal programmes will be increasingly required to leverage resources, mandates and decision-making processes outside their direct control in order to effectively deliver on the IDPs and municipal spatial development frameworks. With key issues and geographies in mind, municipalities are requested to identify key partnerships and partnering solutions which the Municipality is involved in or plans according to the categories below and possible areas where partnerships may be strengthened or new partnerships may be required.

- *Transversal partnering* (between line-function Departments within the Municipality and with municipal entities)

- *Inter-governmental partnering* (between the Municipality and other spheres of Government, public entities and state-owned companies)

- *Cross-boundary partnering* (partnerships with other municipalities across municipal boundaries, within a functional region)

- *Cross-sector partnering* (partnering with external role-players such as business or civil society)

Key recommendations

The Municipality need to indicate some of the key partnering arrangements in place to support service delivery initiatives in creating public value.

6.4 FISCAL STRATEGY AND RESPONSIVENESS OF THE FISCAL FRAMEWORK

6.4.1 Introduction

Local municipalities have various sources of revenue to draw from. As opposed to provinces for example, municipalities are given more control over their revenue resulting from own revenue capabilities which also makes local authorities more directly accountable to their communities. The constraint is that municipalities have a higher burden of care to exercise through measures of fiscal effort and revenue management to ensure sufficiency of funding for their expenditure responsibilities. Hence, municipal charges should be set at a level that is sufficient to fund economic/trading services and should be such that customers can see the benefits of what they are paying for. In delivering on its mandate a municipality has to carefully navigate conditions of high unemployment, varied economic opportunities, rurality whilst at the same time have to remain competitive in order to attract investment. Rural municipalities are largely dependent on grants due to the poor communities being unable to pay for services, while district municipalities are transfer dependent due to a lack of own revenue sources.

The aim of this section is starting to look at the responsiveness of the municipal fiscal framework with a focus on the selected aspects of revenue. The assessment includes highlighting key risks, challenges and opportunities impacting on municipal fiscal resources and the links to economic growth and development.

The aim of the responsiveness of fiscal strategies analysis is to:

- Interrogate the composition of operating revenue including intergovernmental transfers.
- Interrogate the funding of the capital budget.
- Interrogate Risk/Challenges/Opportunities.

6.4.2 Fiscal Context and Financial Resilience

Own Revenue

Operational revenue consists mainly of service charges which accounts for approximately 70 per cent of total revenue. Property Rates and service charges revenue makes up 81 per cent of Drakenstein Municipality's total revenue.

Tariffs setting is an important aspect of the budgetary process as it ensures attaining desired levels of revenue.

Funding of Capital Budget

The capital programme of the Municipality is funded through a mix which includes, grants received (both provincial and national), development charges; cash surpluses generated on the operating account; or borrowing.

The bulk of the capital budget for the 2017/18 financial year is provided by borrowings which accounts for approximately 80.36 per cent of the capital budget. The second largest contributor is transfers which is 13.32 per cent of the capital budget. These two categories alone make up 93.7 per cent of the capital budget.

Intergovernmental Fiscal Framework

The division of nationally raised revenue involves a substantial redistribution of resources from the wealthiest areas to the lower income communities in the country. Local government receives approximately 9.1 per cent of intergovernmental transfers.

National Treasury prioritised 4 game changers for municipalities:

- Municipal Standard Chart of Accounts;
- Targeted supply chain management intervention to achieve cost savings and combat fraud;
- Enhance revenue management, including appropriate tariff-setting, regular billing and effective collection systems; and
- The combined intergovernmental Transfers to Drakenstein Municipality include: The **unconditional component** of the transfers, i.e. the *equitable share* and the **conditional component** of the transfers, among others the *municipal infrastructure grant, local government financial management grant.*

Local Government Equitable Share

For the 2017/18 financial year, National Treasury has made use of the 2016 community survey data. National Treasury has also taken the stance to protect municipal transfers with a 95 per cent guarantee of the indicative allocation. There is a 4.9 per cent difference between the General Household Survey and the 2016 Community Household Survey for Drakenstein. The total rebase weight in the LGES allocation for the Municipality is 0.3 per cent. This entitles Drakenstein Municipality to receive an addiotional amount of R8.07 million in 2017/18.

Given the minimum service level as set out by national government, Drakenstein Municipality conforms to the set standards.

Conditional Grants

Table 6: Intergovernmental Transfers

R'000	2016/17	2017/18	2018/19	2019/20
Local Government Equitable Share	**106 240**	**120 821**	**137 935**	**151 671**
Direct Conditional Grants	**38 542**	**39 709**	**41 612**	**43 621**
Municipal Infrastructure Grant (MIG)	33 542	35 709	37 612	39 621
Integrated National Electrification Programme (Municipal) Grant	5 000	4 000	4 000	4 000
Indirect Grants	**3 200**	**1365**	**1433**	**0**
Integrated National Electrification Programme (Eskom) Grant	-	-	-	-
Regional Bulk Infrastructure Grant	1 900			
Municipal Systems Improvement Grant	1 300	1 365	1 433	
Municipal Capacity Building Grants	**7 827**	**4006**	**1550**	**1550**
EPWP	1 352	2 456		
Energy Efficiency and Demand Side Management	5 000			
Local Government Financial Management Grant	1 475	1 550	1 550	1 550

Source: Division of Revenue Bill 2017

It can be observed that there are no extreme changes in the allocations of the conditional grants. Nationally, conditional grants baselines were adjusted with a growth rate of 5 per cent year-on-year, which is evident in Drakenstein's allocations. With regards to the LGES allocation, the Municipality is receiving an 11.7 per cent increase in there allocation based on the previous year's allocation.

Risk/Challenges/Opportunities

There are a host of factors that could result in fiscal tensions within a municipality and the current dispensation serves each local municipality with a set of its own challenges to contend with.

Table 7: Risk and Mitigation Strategies

Risk	Risk Level	Mitigation
Water crisis	Medium	Level 3B water restrictions are in place to achieve 30 per cent savings. The Municipality is recommending a high tariff for high end consumers as part of the level 2 and 3 restriction levels.

Risk	Risk Level	Mitigation
Co-funding of infrastructure grants places an additional burden on municipal funding.	Medium	SALGA is in the process of engaging with municipalities and investigating the potential impact. Alternative means are being explored to evaluate options for maximising the grant benefits and performance on delivery with cost benefits to municipalities whilst maintaining the underpinning principles of a good grant.
Conditional Grants remain uncertain	Medium	This risk is growing with political and economic uncertainty. This will require the Municipality to plan and budget for great self-reliance going forward.

Opportunities for Growth and Development

Drakenstein Municipality's tariff policy has seen some changes in the 2017/18 financial year that is aimed at maintaining the sustainability of their services. However, the adverse impact of the current economic climate and the budgetary requirements of delivery municipal services have led to the need for higher than CPI increases in the tariffs.

6.4.3 Fiscal Strategy for a Sustainable path

Financial

For the Municipality to implement/develop a revenue protection strategy the first step would be to have a full understanding of the revenue base. The Municipality is encouraged to update its cadastre with all properties (domestic, commercial, agricultural, industrial) located within its boundaries regularly. In addition the Municipality should ensure that all properties are accurately zoned and that the zoning information of the planning department and that of the finance department are fully aligned to ensure that the correct billing attaches to each property. If this information is correctly captured and maintained, the Municipality would have a clearer perspective on its full revenue base and the extent to which the revenue collection is and can be leveraged in return for services delivered.

As previously stated, elements identified as components of the revenue protection strategy was the need to mitigate water and electricity losses as a result of tampering or theft including:

- Establishment of the Revenue Protection Unit. This Revenue Protection Unit is accommodated in the newly approved organisational structure.

- Auditing of conventional and pre-paid electricity meters (low consumptions users, non-purchasers, huge variations in consumption patterns etc.).
- Auditing of water meters with low consumptions or huge variation consumption.
- Cleaning of data in terms of actual number of removals vs. number of removals billed per customer.
- Auditing of number of toilets as per building plans/site vs. number of toilets build.

Drakenstein Municipality has established an activity based costing component to support proper costing of services and correct the alignment of cost drivers to appropriate expenditure. Proper costing of services is crucial for the improvement of budgeting but also for establishing a 'costed' baseline, which helps to identify inefficiencies and waste in the system.

Economic Growth for medium and long term gains

Drakenstein Municipality is one of the five local municipalities in the province to be part of the energy game changer. The aim of the energy game changer is the promotion of renewable energy.

The installation of rooftop PV creates opportunities for municipalities to tap into, which has the potential to mitigate the supply constraints of Eskom somewhat. The Municipality has a Feed-In Tariff (FiT), which is a pricing strategy to incentivise the feeding excess electricity back into the grid.

However, the Municipality has implemented quite an exorbitant fixed and capacity charge which is quite excessive and may counter-balance the benefits of feeding-in. It seems like the Municipality is being more cautious on the revenue protection side which is resulting in less of an incentive.

The Municipality in its efforts to promote environmental awareness has partnered with schools within their municipal area. In addition, the Municipality has a partnership with the VPUU.

Drakenstein Municipality is in the process of establishing a PPP (public-private Partnership) regarding their waste to energy project. The aim of the Waste-to-Energy project, is to enable the drastic reduction of waste to the Wellington Landfill Site, is progressing at the pace determined by legislation. The project is aimed at reducing the current 300 tons per day production of waste to 15 tons per day. The first step of the process is to reduce waste through recycling processes.

SECTION 7: CREDIBILITY AND SUSTAINABILITY

PART 7.1: REVIEW OF THE NEW (2017/18) MTREF

PART 7.1(1): BUDGET ALLOCATIONS: CURRENT YEAR AND PAST SPENDING TRENDS

The Municipality reflected an under performance for transfers recognised-operational for 2014/15 as well as 2015/16 which is an area of concern as it might result in the repayment and or reduction of grant funding. As at 28 February 2017 the Municipality utilised only 46.1 per cent of the transfers' recognised-operational adjusted budget.

In aggregate the Municipality realised an average of 96.7 per cent of the adjustment budget for revenue however underperformed in terms of the operating expenditure and on average only spend 93 per cent of the adjusted budget however it should be noted the audit outcomes encapsulated in the Annual Financial Statements do not reconcile to the tabled A-schedules which might distort analysis.

The municipality historically adjusted the capital budget significantly over the past three (3) financial years in the August adjustment budget rolling-over projects to next budget cycle. Year-to-date, the municipality has only spent 32.2 per cent of the R728.07 million 2016/17 capital budget which renders the capacity for full implementation by year-end as a matter of concern. Especially when taking into consideration that the current budget is 43.6 per cent or R411.01 million more than the actual capital spending of the previous financial year.

In view of the above findings it is recommended that the Municipality consider current and past spending trends which set the baseline and therefor have an impact on future budgetary provisions of which most notable the adjustments to the historic original capital budgets due to underspending.

PART 7.1(2): REVIEW OF THE BUDGET ASSUMPTIONS

Findings:

The overall budget assumptions, on page 15 of the budget document, are credible and reasonable except for the following:

- The Municipality did not indicate the effect of the implementation of drought tariffs on the demand for water.
- The recommended Property rates tariff increase to council in budget document is 5.6 per cent (revenue stream increase) whilst the tariff decreased by 17.5 per cent as per the tariff list. The valuation of properties have increased by 26 per cent with the implementation of the new general valuation, to be implemented from 1 July 2017.

- Trends in population and household growth are not included in the budget assumptions and the related impact on the financial resources of the Municipality. These are essential to inform the budget allocations towards basic services as well as the impact of free basic services.

- The expected growth or decline in tax base of the Municipality is not included in the budget assumptions.

- The Municipality increased all the trading service tariffs except for the current year electricity well above inflation over the MTREF as well as for the last five years. Hence the impact of the high tariff increases on the required high collection rate is a risk in view of the current economic outlook that will impact on the disposable income of consumers and the fact that the municipal high debt burden hedges on a good collection rate.

- For the 2017/18 financial year, the Municipality is expecting a one-on-one relationship between the tariff and revenue for sanitation as well as refuse removal. In other words it appears that the revenue projections are aligned to the tariff increase, in spite of past trends indicating a greater level of fluctuation as per the sensitivity analysis below. It is further noted that the relationship between the tariff increase and the revenue increase yields an inverse trend for 2015/16 and a decline for refuse removal in aggregate.

Sensitivity analysis of trading services to tariff increases

Table 8: Sensitivity Analysis

	2011/12	Sensitivity	2012/13	Sensitivity	2013/14	Sensitivity	2014/15	Sensitivity	2015/16	Sensitivity
Sanitation										
Revenue	13.45%	1.92	6.42%	0.92	13.38%	0.89	18.85%	1.26	14.15%	0.94
Tariff	7.00%		7.00%		15.00%		15.00%		15.00%	
Refuse Removal										
Revenue	10.77%	1.54	8.72%	0.97	12.25%	1.26	14.93%	1.54	8.21%	0.85
Tariff	7.00%		9.00%		9.70%		9.70%		9.70%	

Source: Drakenstein A-Schedules and budget document

BUDGET OVERVIEW

Table 9: Budget Overview

WC023 Drakenstein - Table A4 Budgeted Financial Performance (revenue & expenditure)									
Description	2013/14	2014/15	2015/16	Current Year 2016/17 (until February 2017)			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	February	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Total Revenue (excluding capital transfers and contributions)	1 405 760	1 512 858	1 786 773	1 954 441	1 986 719	1 432 593	2 096 754	2 292 201	2 347 565
Total Expenditure	1 533 058	1 617 190	1 816 998	2 047 906	2 072 441	1 225 149	2 172 341	2 420 408	2 492 141
Surplus/ (Deficit)	(127 298)	(104 332)	(30 225)	(93 465)	(85 722)	207 444	(75 587)	(128 206)	(144 575)
Non-Cash Items:									
Depreciation & asset impairment	190 531	165 872	172 943	190 506	190 506	140 142	190 506	201 673	208 139
Restated Results	63 233	61 540	142 717	97 041	104 785	347 585	114 920	73 467	63 564
Capital expenditure & funds sources									
Capital expenditure	207 951	215 404	317 052	592 474	728 066	234 559	633 142	438 169	338 228
Transfers recognised - capital	85 930	64 886	73 797	50 553	66 417	42 824	84 347	68 958	37 377
Public contributions & donations	–	–	–	–	–	-	–	–	–
Borrowing	112 180	132 020	226 358	506 922	608 197	183 452	508 794	324 211	250 852
Internally generated funds	9 841	18 498	16 898	35 000	53 452	8 283	40 000	45 000	50 000
Total sources of capital funds	207 951	215 404	317 052	592 474	728 066	234 559	633 142	438 169	338 228
Cash flows									
Cash/cash equivalents at the year end	182 833	259 526	324 705	185 975	293 902	231 542	308 859	290 984	226 219

Source: 2017/18 MTREF Budget

The Municipality has tabled deficit budgets which are mainly caused by non-cash items such as depreciation and asset impairment. Whilst this is not an indication of an unfunded budget it has the ability over time to reduce either the contributions to cash backed reserves or reduce the contributions to internal funds towards capital spending. Operational deficit has grown by 91.2 per cent over the MTREF, thus the municipality is encouraged to employ strategies that will mitigate such growth.

The total revenue budget increased on average by 5.76 per cent and the operating expenditure on average by 6.4 per cent over the MTREF indicating a marginal real growth after discounted for inflation.

An area of concern however is that the Municipality projected a marginal cash surplus of R2.10 million after taking into consideration all the non-cash provision including depreciation and redemption of borrowing and reported cash shortfalls for the budget years thereafter.

PART 7.1(3): ADEQUACY OF REVENUE MANAGEMENT FRAMEWORK

Main & Supporting Tables: A2, A4, SA1, SA12(a) & (b) SA13(a) & (b) SA25 - SA27

Drakenstein Municipality anticipates to realise an increase in operating revenue at an average of 5.8 per cent over the MTREF. The most significant components of the operating revenue budget is service charges – electricity (41.1%), Transfers recognised – operational (11.2%) and property rates (11.2%).

Total property rates revenue increased by 5.6 per cent whilst the tariff has decreased by 17.5 per cent. This means that the property owners will be paying 5.6 per cent more in monetary value due to the implementation of the new valuation roll. The number of properties have declined from the 2016/17 (44 869) to 2017/18 (44 099). The Municipality provides R165 000 of rateable value for all residential properties which is in addition to the R15 000 as prescribed by the property rates act. This rebate of R165 000 can be viewed as over incentivisation of ratepayers when juxtaposed with the liquidity position of Drakenstein Municipality.

Cost reflectiveness of Trading Services

Table 10: Revenue and Expenditure link – Trading and Economic Services

Standard Classification Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Standard									
Trading services	956 082	1 058 864	1 251 543	1 404 487	1 404 487	1 404 487	1 477 358	1 564 321	1 665 121
Electricity	721 782	778 149	908 329	1 021 794	1 021 794	1 021 794	1 041 774	1 101 282	1 163 347
Water	119 990	152 068	166 691	178 476	178 476	178 476	206 578	206 247	218 621
Waste water management	51 338	60 647	79 059	93 971	93 971	93 971	108 066	124 276	137 946
Waste management	62 972	68 000	97 465	110 246	110 246	110 246	120 940	132 517	145 207
Total Revenue - Standard	956 082	1 058 864	1 251 543	1 404 487	1 404 487	1 404 487	1 477 358	1 564 321	1 665 121
Expenditure - Standard									
Trading services	885 937	988 756	1 171 785	1 274 106	1 293 536	1 293 536	1 289 782	1 293 426	1 371 440
Electricity	629 988	667 097	806 416	880 995	883 421	883 421	881 873	900 099	953 041
Water	93 771	102 701	123 780	140 030	142 603	142 603	144 106	148 504	157 809
Waste water management	84 702	87 543	117 455	137 489	147 204	147 204	150 938	130 791	139 288
Waste management	77 476	131 415	124 134	115 593	120 308	120 308	112 866	114 031	121 302
Total Expenditure - Standard	885 937	988 756	1 171 785	1 274 106	1 293 536	1 293 536	1 289 782	1 293 426	1 371 440
Surplus/(Deficit) for the year	70 145	70 108	79 759	130 381	110 951	110 951	187 575	270 895	293 681
Income less Expenditure - Standard									
Trading services	70 145	70 108	79 759	130 381	110 951	110 951	187 575	270 895	293 681
Electricity	91 794	111 052	101 912	140 800	138 373	138 373	159 901	201 182	210 306
Water	26 219	49 367	42 911	38 446	35 873	35 873	62 472	57 743	60 813
Waste water management	(33 364)	(26 896)	(38 396)	(43 518)	(53 234)	(53 234)	(42 872)	(6 515)	(1 341)
Waste management	(14 504)	(63 415)	(26 669)	(5 347)	(10 061)	(10 061)	8 075	18 486	23 904

Source: Revenue A4 and Expenditure A2

The comparisons indicate that three (3) trading services generate a surplus over the MTREF period which suggests that tariffs might be fully cost reflective.

Waste water management reflects deficits over the seven year horizon when capital grants are excluded notwithstanding that the Municipality increased the tariff well above inflation. Sanitation is an economic service and needs to be cost reflective. The deficit is however on a downward trajectory over the MTREF and is reduced to R1.34 million by 2019/20.

Electricity sales are the most significant (49.1% average over MTREF) component of the operating revenue budget, suggesting a high level of reliance by the Municipality on this revenue source. The tariff increase for this year is 1.88 per cent which is in line with the guidance provided by NERSA. Total electricity revenue billed increased by 11.5 per cent from the 2014/15 to 2015/16 which is indicative of positive real growth. It has also been noted as per the in-year monitoring reports submitted on the cash flow that as at 28 February 2017 the Municipality received 95.6 per cent of the cash related to the billings for this service charge which deems the collection rate of 96.8 per cent to be adequate. Electricity distribution losses amount 8.24 per cent for the 2015/16 financial year which show an increasing trajectory from the previous year (2014/15: 4.42%) which are concerning although within the national norm of 7 – 10 per cent. Hence the Municipality are recommend to stringently implement the revenue protection strategy with emphasis on electricity losses. In view of a pedestrian growth in electricity surpluses, the main source of revenue, the Municipality need to realise a return over the medium term on the increased capital investment (since 2016/17 capital allocation amount to R420.28 million) in order to service the material increase in debt to fund these projects.

Water amounts to 9.4 per cent on average over MTREF as a component of the operating revenue budget and increased by 9.9 per cent which indicates a positive real growth. The tariff increase is well above the upper limit of inflation and in aggregate for the last five years, the water tariff was increased by 54 per cent. The outstanding debt for water increased at an average rate of 8.2 per cent over the past three financial years. The Municipality is cautioned in terms of the growth in outstanding debtors, as further increase in tariffs could lead to further growth in the outstanding debtors.

The sewerage revenue amounts to 5.5 per cent on average over the 2017/18 MTREF in relation to the total operating revenue budget and shows an increase of 15.0 per cent resulting in positive real growth. Notwithstanding the above inflation tariff increase the service is running at a loss and is currently not cost reflective. Total sewerage revenue increased by 15.0 per cent which is indicative of incremental budgeting as it increased with the same percentage as the tariff increase. The Municipality is cautioned in terms of the growth in outstanding debtors, as further increases in tariffs could lead to further growth in the outstanding debtors.

Refuse removal amounts to 5.9 per cent on average over MTREF and is projected to increase by 9.7 per cent, indicating a negative growth after discounted for inflation. The Municipality is further advised to review the sensitivity analysis which shows a fluctuation historically between the increase in the tariff and the revenue. The Municipality increased the refuse tariff by 9.7 per cent for the 2017/18 budget year which is above the CPIX projection of 6.4 per cent and indicates a positive real growth. The high tariff increase is impacted with the envisaged waste to energy public private partnership project that will ensure the extension of the useful life of the Wellington waste disposal site. The Municipality indicated that if the waste to energy project does not materialise it will lead to exponentially high tariff increases (of more than 100%) to cover the transport and disposal cost to the City of Cape Town's waste disposal site. The outstanding debt for refuse decreased at an average rate of 0.9 per cent over the past three financial years and has exceeded budgeted billings at an average rate of 110.8 per cent.

The Municipality provides indigent households with water (6 kl), electricity (100 kw) per month which are above the national guidelines and a further rebate of R165 000 of rateable value for all residential properties, R15 000 above as prescribed by the property rates act. These rebates are considered overly generous in view of above inflation tariff increases.

PART 7.1(4): ADEQUACY OF EXPENDITURE MANAGEMENT FRAMEWORK

Main & Supporting Tables: A2, A4, SA1, SA18, SA21, SA23 - SA27.

Drakenstein Municipality anticipates to realise an increase in operating expenditure at an average of 6.4 per cent over the MTREF with bulk purchases (28.3%) and employee related cost (24.7%) being the main drivers and also increase above CPIX.

Employee related costs amount to 24.7 per cent of the operating expenditure budget in aggregate, indicating inflationary increases as per the collective agreement. The wage bill is within National norms of 25 – 40 per cent as per MFMA Circular 71 however this line item is growing in excess of CPIX which will put pressure on available resources. The Municipality provides for a cost of living increase of 7.1 per cent and a notch increase of 1.25 per cent however the monetary value of employee related costs have increased by 15.1 per cent for the 2017/18 financial year which the Municipality indicated is due to provision that has been made for the filling of prioritised vacancies of R29 million. It is noted on SA24 that the permanent employees (funded) have increased with 68 positions from 2016/17 to 2017/18. The Municipality is thus urged to take into consideration the impact of required cash backed employee provisions on the working capital, the productivity of existing staff, overtime and the utilisation of consultants in relation to growth in revenue.

No increase was noted for the provision of depreciation and asset impairment 2016/17 to 2017/18 although the increase of the asset base of 10.0 per cent or R754.60 million, hence the depreciation and asset impairment budget allocations appears to be too conservative. It is hence recommended that the Municipality review the calculation methodology of depreciation and ensure it is based on an updated asset register and cognisance be taken of current work-in-progress capital that will be commissioned and planned capital expenditure.

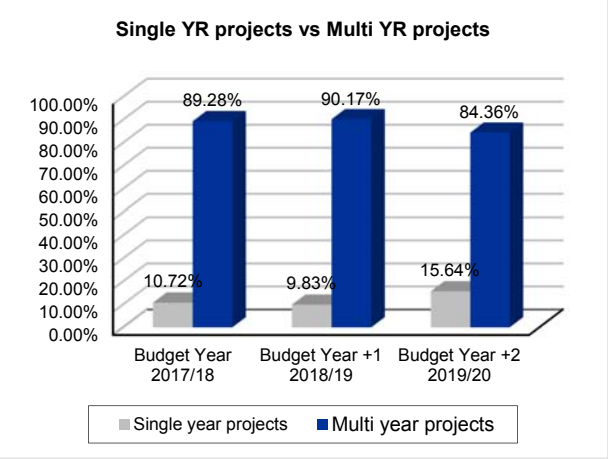
Finance charges show an average increase of 21.9 per cent over the MTREF and a year-on-year increase of 25 per cent due to a new loan of R508.79 million which will be taken up during 2017/18. Total new borrowings to be taken up over the MTREF constitute R1.08 billion and will have a significant impact on the operating budget as the Municipality will be paying for finance charges in aggregate R446.20 million over the 2017/18 MTREF. Debt service cost (interest paid and redemption) to total operating expenditure will be deteriorated over the MTREF from 11.0 per cent in 2016/17 to 13.1 per cent by the end of the MTREF which are not only above the national norm of 6% - 8% but are steadily eroding the resources available for the delivery of services.

Repairs and maintenance as a percentage of the book value of property plant and equipment amounts to an average of 3.4 per cent over the MTREF which is well below the 8 per cent as recommended by National Treasury. Cognisance is taken of the fact that the Municipality is applying an average of 18.1 per cent of the capital budget to the renewal of infrastructure and 34.2 per cent to the upgrading of existing infrastructure. The Municipality tabled an asset management policy that specifically deal with maintenance of assets and require each directorate prepare and review maintenance policies and plans which should form part of the tabled budget documentations. The municipality is encouraged to adopt the norm as determined by National Treasury and overtime through concerted endeavors to meet the 8 per cent norm.

PART 7.1(5): ADEQUACY OF CAPITAL BUDGET

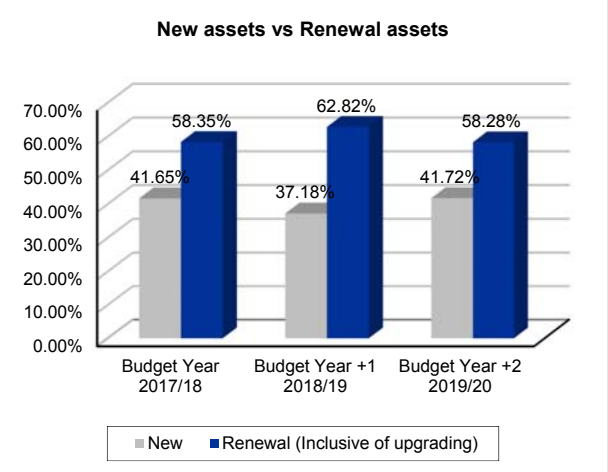
Main & Supporting Tables: IDP, A5, A5A, SA18 - SA20, SA28, SA36 & SA37

Figure 1: Single YR projects vs Multi YR projects



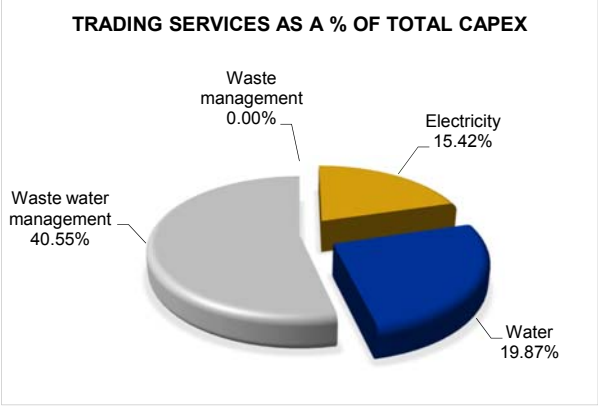
The Municipality does incorporate section 16(3) of the MFMA into the budgeting process, which allows a municipality to appropriate large capital budgets for three financial years. Thus enabling municipalities to improve planning and initiate procurement processes earlier for capital projects in the two outer years of the MTREF.

Figure 2: New assets vs Renewal assets



The Municipality allocates an average of 59.2 per cent of its capital budget to renewal assets over the MTREF. According to MFMA Circular 71, a percentage of less than 40 per cent is not sustainable over the long term. The asset sustainability ratio equates to an average of 141.7 per cent over the MTREF. As stated in the Long –Term Financial Sustainability policy a ratio of more than 110 per cent indicates a likelihood that the Municipality is over-sufficiently maintaining, replacing or renewing existing infrastructure assets before they reach the end of their useful life. It should be noted that the upgrading of existing infrastructure has been added to the renewal of assets.

Figure 3: Trading Services as a % of Total Capex



The Municipality's largest capital investment relates to trading services and more specifically waste water infrastructure (R447.97 million over the MTREF). No capital investment has been allocated for the waste management function during the 2017/18 financial year whilst this is a crisis infrastructure component for Drakenstein Municipality. Two multiyear projects namely the Implementation of the IWMP projects and the Refuse Storage Facilities (Drakenstein) which has been budgeted to commence during the 2016/17 financial year has not been included in the budget for 2017/18 but has been postponed to continue during the two outer years of the MTREF.

Current capital spending amounts to 32.2 per cent (2015/16: 23.7%) of the adjustment budget and is slightly higher than the previous years' trends. The monthly projected spending is in line with the previous year's trends as it spikes during the second semester of the financial year.

MFMA Circular 51, issued on 19 February 2010, urged municipalities to "*objectively examine the credibility of their proposed budgets in terms of their spending and institutional capacity.*"The table below illustrates the spending level against the adjustment budgets is above the spending capacity of the Drakenstein as the Municipality has for the current and previous three years rolled-over a significant amount of the capital budget to the following budget cycle. It is also noted that the Municipality only projected to spend 97 per cent of the capital budget for the MTREF which will have a financial impact on the funding sources utilised.

Table 11: Historic Capital Spending trends

Financial Year	Original Budget	Mid-Year Adjustment Budget	Final capital spending	Actual % of mid-year adjustment budget spent	August Roll Over Budget	Total capital projects rolled over
	R'000	R'000	R'000	R'000	R'000	R'000
2013/14	187 360	263 952	207 951	78.8%	210 331	53 621
2014/15	284 821	348 689	215 404	61.8%	218 191	130 498
2015/16	375 837	541 613	317 052	58.5%	321 065	220 548
Average				66.4%		134 889
Spent at 28 February 2017						
2016/17	592 474	728 066	234 559	32.2%		

Source: 2013/14 - 2017/18 A-Schedule A1; 2013/14 - 2017/18 B-Schedules B1

The Municipality should consider its allocation efficiencies. Although the majority of its capital budget is directed towards trading services only 86.5 per cent or R440.33 million of its borrowings are used for basic service infrastructure. Loans should preferably be invested in revenue generating assets. Social investment infrastructure funded by borrowings will amount to R19.87 million for 2017/18.

Funding of the capital budget

The Municipality intends to take up new borrowings of R508.79 million for the 2017/18 financial year whilst they clearly stated on page 27 of the budget document that they can only afford to raise a loan of R245 million. The gearing ratio (borrowing over operating revenue less conditional grants) ranges from 84.6 per cent for the 2017/18 financial year to 89.3 per cent for the 2019/20 financial year which is above the 50 per cent cap stated in the Borrowing Policy and the 45 per cent norm as prescribed by National Treasury in Circular 71.

Table 12: Funding of the Capital Budget

Analysis	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Current Borrowing	132 806	153 851	177 012
Long Term Borrowings	1 557 116	1 748 958	1 845 960
Total borrowings	1 689 922	1 902 809	2 022 971
Operating Revenue less conditional grants	1 998 313	2 126 108	2 266 345
Gearing ratio	84.57%	89.50%	89.26%

Source: 2017/18 A-Schedule A6; A4; A18

The Borrowing Policy does however allow for the 50 per cent cap to be exceeded provided that the investment in **infrastructure** is needed to **stimulate economic growth** and that the interest and redemption to service external loans shall not exceed 20 per cent of total operating revenue less capital grants and conditional operating grants. The Municipality is adhering to its policy however Provincial Treasury would urge Council to consider the capital cost (Interest paid and Redemption) as a percentage of total operational expenditure indicator which is a national norm in terms of Circular 71 and a prudent measurement of the debt exposure. The limit for capital cost ratio is 6 - 8 per cent and the Municipality is well above the healthy norm at 11 per cent.

Analysis	**Budget Year 2017/18**	**Budget Year +1 2018/19**	**Budget Year +2 2019/20**
Current Borrowing	132 806	153 851	177 012
Long Term Borrowings	1 424 310	1 595 107	1 668 948
Total borrowings	1 557 116	1 748 958	1 845 960
Operating Revenue less conditional grants	2 001 998	2 213 589	2 304 956
Gearing ratio	**77,78%**	**79,01%**	**80,09%**

Table 13: Spending trends of projects funded from borrowing

Financial Year	Original Budget	Mid-Year Adjustment Budget	Final capital spending	Actual % of mid-year adjustment budget spent	August Roll Over Budget	Total Borrowings rolled over to the next financial year
	R'000	R'000	R'000	R'000	R'000	R'000
2013/14	119 928	169 950	112 180	66.0%	112 193	57 757
2014/15	205 000	252 951	132 020	52.2%	133 147	119 804
2015/16	294 531	414 335	226 358	54.6%	228 078	186 257
Average				57.6%		121 273
Spent at 28 February 2017						
2016/17	506 922	608 199	183 452	30.2%		

Source: 2013/14 - 2017/18 A-Schedule A1; 2013/14 - 2017/18 B-Schedules B1

The table above provides an illustration of the actual borrowings (Original Budget) spent by the Municipality over the past three (3) financial years. On average the Municipality has only spent an average of 57.6 per cent allocated to the capital

budget of which the remaining average of R121.27 million has been rolled over to the next financial year whilst finance cost accumulate. For the 2016/17 financial year R186.26 million has been rolled over from the 2015/16 financial year. The Municipality has gone out to tender to obtain borrowings amounting to R506.92 million of which R84.98 million will only be taken up during the 2017/18 financial year, as per the Council decision of 26 April 2017. As at 28 February 2017 the Municipality has only spent 30.2 per cent of its adjusted borrowings with only four (4) months remaining before concluding the financial year. It can thus be concluded that the Municipality incur significant borrowings which is above its spending capacity and which is not a prudent financial practice as finance cost is accumulating.

Drakenstein Municipality is heavily reliant on borrowing over the MTREF and the long term impact of the increased borrowing must be assessed by the Municipality as it is not sustainable.

The Municipality project to utilse R135 million from the internally generated funds (CRR) over the MTREF whilst maintaining a balance of R40 million for the same period (A8). It is unclear how the Municipality intend to fund the CRR and an increased investment from this funding source in lieu of a marginal cash surplus (R2.10 million) that is projected for 2018/19 and notable cash shortfalls thereafter as indicated by the Municipality when taking into consideration the non-cash items and the significant redemption of borrowings.

Core Systems for Municipal Infrastructure Delivery

A 2002 study by Government on the delivery of infrastructure identified a shortfall in effective and systematic delivery systems as well as a skills deficit as impediments to effective delivery, hence the establishment of the Infrastructure Delivery Improvement Programme (IDIP) in 2004. It was within this Programme that the concept of an Infrastructure Delivery Management System (IDMS) was established and informed by the answers to questions posed to projects, namely: Is it suitable, is it feasible, is it credible, does it deliver value for money and does it add to public value? In 2010, the IDIP Toolkit was released, providing a documented body of knowledge and set of processes, representing good practices in the delivery management of infrastructure.

A number of developments have taken place since the publication of the 2010 Toolkit, namely:

- A Medium Term Expenditure Framework (MTEF): Budgeting for infrastructure and capital planning guidelines (2010);

- A Model Supply Chain Management (SCM) Policy for Infrastructure Procurement and Delivery Management in terms of section 168 of the Municipal Finance Management Act of 2003 (Act 56 of 2003) (MFMA) during November 2015 in support of the MFMA SCM Regulation 3(2);

- MFMA Circular No. 80: Municipal Financial Systems and Processes requirements in support of the Municipal Standard Chart of Accounts (mSCOA) issued in terms of the Municipal Finance Management Act No. 56 of 2003;

- The publication of several South African national standards by the South African Bureau of Standards covering areas such as construction procurement, project management, maintenance and asset management; and

- The development of a Cities IDMS aimed at metropolitan councils.

The IDMS is designed to be linked to multi-year budgeting with a strong focus on outcomes, value for money and the effective and efficient functioning of the entire value chain of infrastructure delivery. An IDMS – enriched public sector is characterised by a standardised and uniform approach to infrastructure delivery, supporting effective and efficient delivery, stronger public institutions through the appointment of appropriate personnel in infrastructure, using the IDMS human resources capacitation framework, improved infrastructure planning, budgeting, management, operations and management, adherence to relevant legislation, better infrastructure procurement, enhanced intergovernmental relations and improved reporting, monitoring and evaluation.

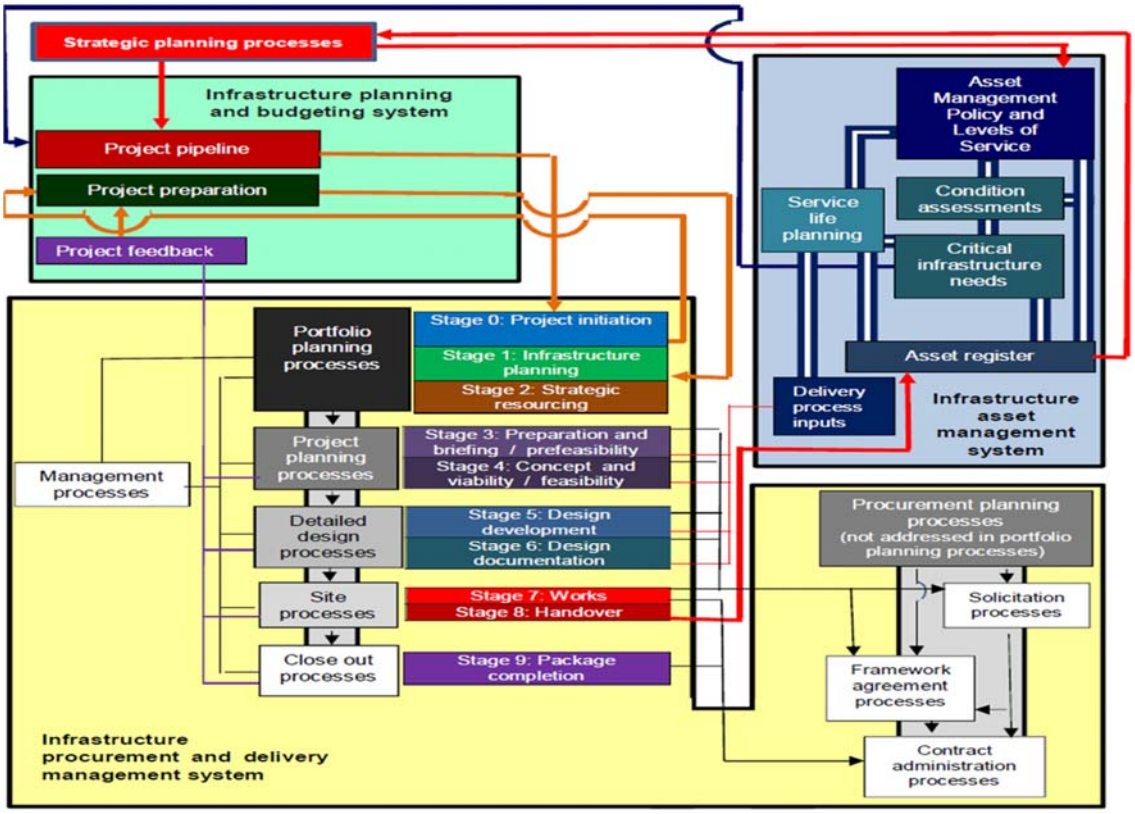
The delivery and maintenance of social and economic infrastructure is central to Government's mandate to deliver services to its people. Such infrastructure is delivered and maintained in the public sector through the IDMS. The IDMS has 3 core systems, namely an infrastructure planning and budgeting system, infrastructure procurement and delivery management system (supply chain management system) and an infrastructure asset management system, all of which have forward and backward linkages.

These core systems are located within portfolio, programme and project management, operation and maintenance and institutional processes.

Collectively these systems and processes create an organ of state's institutional system for infrastructure delivery.

The forward and backward linkages between the three core systems are indicated in Figure 4 below. The backbone to the delivery of infrastructure projects is the 9 stages which are described in the National Treasury Standard for Infrastructure Delivery Management (SIPDM), which is linked to the Municipal Finance Management Act of 2003. This standard is required to be implemented by all organs of state.

Figure 4: Infrastructure Procurement and Delivery Management System



PART 7.2: ESTABLISH THE LEVEL OF FUNDING THE BUDGET

PART 7.2(1): FINANCIAL & OPERATIONAL SUSTAINABILITY AND ASSET MANAGEMENT

Table 14: Funding measures

WC023 Drakenstein Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	182 833	259 526	324 705	185 975	293 902	293 902	293 902	308 859	290 984	226 219
Cash + investments at the yr end less applications - R'000	18(1)b	2	148 782	258 149	46 273	203 555	345 866	345 866	345 866	292 402	248 901	203 266
Cash year end/monthly employee/supplier payments	18(1)b	3	2.0	2.7	–	1.5	2.3	2.3	2.3	2.3	2.0	1.5
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(20 612)	(13 490)	#VALUE!	(35 919)	(19 304)	(19 304)	(19 304)	19 169	(49 594)	(101 966)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	3.7%	10.6%	5.4%	(6.0%)	(6.0%)	(6.0%)	(0.8%)	(0.1%)	0.3%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	99.5%	98.6%	0.0%	93.8%	93.9%	93.9%	93.9%	93.7%	93.8%	94.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	9.1%	5.7%	5.8%	4.5%	6.5%	6.5%	6.5%	4.6%	5.3%	5.3%
Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	103.9%	97.0%	97.5%	97.5%	97.5%	97.0%	97.0%	97.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	98.3%	136.2%	122.3%	93.5%	76.6%	76.6%	76.6%	92.7%	87.8%	83.4%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.5%	100.5%	100.7%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	10.7%	13.9%	(15.2%)	0.0%	0.0%	0.0%	14.4%	2.1%	1.7%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	220.4%	(15.7%)	(53.9%)	0.0%	0.0%	0.0%	149.2%	3.1%	45.4%
R&M % of Property Plant & Equipment	20(1)(vi)	13	1.2%	1.4%	3.8%	3.5%	3.5%	3.5%	3.6%	3.3%	3.4%	3.6%
Asset renewal % of capital budget	20(1)(vi)	14	18.8%	33.6%	37.8%	30.1%	28.6%	28.6%	0.0%	11.5%	22.4%	22.7%

Source: Drakenstein Municipality 2017/18 Tabled Budget

Surplus/deficit (result) excluding depreciation offsets

A projected surplus is reflected for the 2017/18 financial year where after a deficit is projected across the two outer years of the MTREF indicating that the revenue levels are insufficient to conclude that the community is not making a sufficient contribution for the municipal resources consumed each year.

Service charge revenue % change – macro CPIX target exclusive

The negative growth is noted for 2016/17 in respect of service charges and property rates revenue to a positive growth for 2019/20 of 0.3 per cent.

Grants % of Govt. legislated/gazetted allocations

The government grants transferred to the statement of financial performance is in excess of 100 per cent due to the exclusion of the VAT component of the capital grants from the capital budget.

Long Term Receivables' % change

The Municipality projects an increase in long term receivables for 2017/18 of 149 per cent however no regression is noted in the budgeted collection rate for that particular year. When taking the collection rate into account the large increase appears unrealistic.

Repairs & maintenance (R&M) expenditure level

Repairs and maintenance as a percentage of property, plant and equipment and investment property is on average 3.4 per cent over the MTREF which is below the norm of 8 per cent, as indicated in MFMA Circular 71 issued in January 2014. However, repairs and maintenance constitutes an average of 8.3 per cent of operating expenditure which is above the guideline of 7 per cent indicated in the funding and reserves policy.

OVERVIEW OF THE CURRENT CASH POSITION OF THE MUNICIPALITY

The Audited Financial Statements as at 30 June 2016 indicates that the Cash Flow Statement of the Municipality had a closing balance of R324.70 million and the Cash Flow Actual as at 1 July 2016 had an opening balance of R140.98 million.

The available cash as per the Cash Flow Actual as at the 28 February 2017 is R231.54 million and the commitments reported against the available cash for the month is R96.69 million. The Municipality reported a Current Ratio of 1.37:1 and a Cash Ratio 0.49 times as at 28 February 2017. The Current Ratio at present is below National Treasury norm of 1.5 - 2 is to 1 and the Cash Ratio indicates that the Municipality have less than half the cash available to settle all Current Liabilities immediately. The projected current ratio will decline to 1:1 by the end of the MTREF.

Risks

The key indicators in terms of liquidity is alarming and below national norm which might indicate the Municipality may experience challenges to meet its short term obligations over the 2017/18 MTREF.

REVIEW OF THE BORROWINGS OF THE MUNICIPALITY

Objective

This part of the assessment reviews the level of long term borrowings by the Municipality and the impact on the future financial sustainability of the Municipality.

On the SA17 the Municipality indicated that the loans balances are R1.55 billion (2017/18), R1.74 billion (2018/19) and R1.84 billion (2019/20). The Debt to Total Operating Revenue as at 30 June 2016 was 59.40 per cent which is above the National Treasury norm range ratio for municipalities to incur further borrowings. The Municipality will be overexposed to loans should the Municipality take on additional loan funding to fund capital projects.

Risks

At present the Municipality has a high debt exposure which will be exacerbated with the intended borrowing over the MTREF as the gearing ratio will be by the end of the MTREF 89.3 per cent which will expose the Municipality to a credit risk.

TABLE A8 – APPLICATION OF CASH & INVESTMENTS

Table 15: Cash & Investments

Description	2017/18 Medium Term Revenue & Expenditure Framework						
R thousand	Budget Year 2017/18	PT Calculation	Budget Year +1 2018/19	PT Calculation	Budget Year +2 2019/20	PT Calculation	Comments
Cash and investments available							
Cash/cash equivalents at the year end	308 859	303 758	290 984	264 838	226 219	176 913	
Other current investments > 90 days	–	–	–	–	–	–	
Non current assets - Investments	393	393	393	393	393	393	
Cash and investments available:	309 253	304 152	291 377	304 152	226 612	304 152	
Application of cash and investments							
Unspent conditional transfers	–		–		–		
Unspent borrowing	–	65 953	–	60 415	–	58 214	3% unspent borrowings based on the 97% capital budget implementation. Municipality's own anticipated spending as stated on SA10. Payment ratio 97%.
Statutory requirements	–	–	–	–	–	–	
Other working capital requirements	(40 606)		(19 981)		889	889	Working capital cannot be negative.
Other provisions	–	27 103	–	29 192	–	31 439	
Contribution to employee benefits (Leave) Provision		4 038		4 371		4 727	
Contribution to employee benefits (Ex Gratia Pensioners) Provision		274		270		266	
Contribution to employee benefits (Medical) Provision		16 561		17 880		19 304	Amounts reflected on page 21 of the budget document. Cash back portion of provisions as stipulated in the Funding and Reserve Policy.
Contribution to employee benefits (Long Service Awards) Provision		6 230		6 671		7 142	
Short term portion of landfill site rehabilitation							
Long term investments committed	–	–	–	–	–	–	
Reserves to be backed by cash/investments	57 457	57 457	62 457	62 457	22 457	67 457	
Housing Development Fund	14 450	14 450	14 450	14 450	14 450	14 450	
Capital replacement	40 000	40 000	45 000	45 000	5 000	50 000	
Self-insurance	3 008	3 008	3 008	3 008	3 008	3 008	
Total Application of cash and investments:	16 851	177 617	42 476	181 255	23 347	189 439	
Surplus(shortfall)	292 402	126 535	248 901	122 896	203 266	114 713	

Source: Drakenstein: A8 schedule

Findings:

A number of variances were noted with the analysis of the budget Table A8 which could impact on whether the budget is funded.

- Cash and cash equivalents should be adjusted to include the full portion of the current borrowings over the MTREF as indicated on the statement of financial position.
- The unspent borrowings as based on the calculation on Table 16 below. The resulting implication is an average increase over the MTREF in respect of the application of cash and investments and an overall decrease of the surplus.

Table 16: Calculation of unspent borrowing

	2013/14	2014/15	2015/16
	Audited Outcome	Audited Outcome	Audited Outcome
Actual inflow of borrowings A7	119 928	205 000	297 593
Actual borrowings spent A5	112 180	132 020	226 358
Unspent borrowings	7 748	72 980	71 235

Source: Drakenstein A-Schedules: A7 and A5

- The Municipality should also state any other cash backed amounts for statutory requirements, other provisions and long term investments committed to be backed by cash/investments (short-term portion of retirement benefit obligation, provision for landfill sites, etc.) which is encapsulated in the Funding and Reserves policy.

- Factoring in appropriate growth provisions over the MTREF taking into account the various provisions of current and future obligations.

- No contributions were made for the current provision for the rehabilitation for landfill sites of which the Wellington site will be closed and rehabilitated by the 2020 financial year.

- Cash surplus after reconciliation is significant lower and in order to fully measure the funding of the budget the Municipality should include all the cash-backed provision. Further, we note that the Municipality do not have adequate cash reserves to cover one month of operating expenditure which is a concern.
- Capital funding mix strategy has an over reliance on borrowing which is sustainable and will burden future generations.

PART 7.2(2): FORECASTING & MULTI-YEAR BUDGETING

The seasonal consumption trends have not been brought into account for the monthly projections on SA25. It is also noted that the cash collections on SA30 comprises of 100 per cent of the electricity billings up to May. The monthly collections stated on SA30 for the first semester of the 2017/18 financial year is evident of linear projections for water. The Municipality is requested to review the projections. It is also noted that the cash collections on SA30 comprises of 100 per cent of the billings from August up to May pertaining to sewerage. The Municipality is requested to review the monthly projections to suite the reality of events such as the annual billings which are due in October. Although the overall cash projections are not overstated the monthly projections will have an impact on the SDBIP, the monitoring of performances which are utilised in decision making processes.

SECTION 8: MAIN POINTS AND RISKS/RECOMMENDATIONS

This section outlines the main points and risks/recommendations based on the LG MTEC Assessment:

INTEGRATED DEVELOPMENT PLAN:

It is recommended that:

- The long-term development plans should be extended to other rural areas within the Drakenstein Municipality and also be indicated in the 2017 - 2022 Final Adopted IDP along with associated timelines and budgets. The Municipality should review the figures on water services levels as well as figures for sanitation on page 132 for accuracy.

- All ITPs must comply with the new Minimum Requirements for the Preparation of Integrated Transport Plans based on Government Gazette No. 40174 of 29 July 2016 and Transport "emanating from the ITP needs assessment and ITP public participation process should be reflected in the IDP.

- The 2017 - 2022 Final Adopted IDP includes a clear housing demand breakdown for the entire Municipal area, which is disaggregated per settlement, or income category or housing typology and the human settlement development in Simondium to the housing pipeline.

- More emphasis be placed on the prioritisation of the neediest with regard to top structure opportunities in the 2017 - 2022 Final Adopted IDP.

- That the housing pipeline be updated and aligned with the Department's latest Business Plan. The NUSP projects should also be added to the updated housing pipeline.

- The 2017 - 2022 Final Adopted IDP reflect the establishment of a forum for the coordination and implementation of disaster management in the Municipality.

- The Municipality reflect in the 2017 - 2022 Final Adopted IDP the status of its Disaster Risk Assessment, the main identified disaster risks for its area and the status of the associated contingency plans.

- The 2017 - 2022 Final Adopted IDP includes specific challenges of agricultural workers which can be sourced from the Farm Worker Household Census report conducted in the 2015/16 financial year.

- The Municipality note findings of the Western Cape Climate Change Response Framework in the 2017 - 2022 Final Adopted IDP and incorporate relevant adaptation and mitigation strategies proposed from this framework.

- The number of healthcare facilities for the Drakenstein sub-district be updated and access to emergency medical services to and from rural areas be reflected in the 2017 - 2022 Final Adopted IDP as well as in subsequent Reviews and Amendments. The Municipality utilises the full portion of its MIG for sports infrastructure development. The Municipality consider developing a sports tourism strategy as well as a sports facility management policy.

- The Municipality prioritise the development of Gender, Youth & Disability Policy documents. The Municipality in terms of the number of SMMEs allocated, disaggregate the data in terms of gender (i.e. females/males/persons with disabilities) the amount of beneficiary contracts allocated by the Municipality in order to assist with the analysis of progress towards achieving gender quality.

- The Municipality ensure that the two vacant top management posts on the macro structure are filled and ensure roll out of the action plan to cascade the PMS to all staff.

- It is recommended that the 2017 - 2022 Final Adopted IDP and all subsequent Reviews and Amendments provide information on the current status as well as a high level Action Plan for the implementation of these JPIs, at least over the MTEF within the Drakenstein Municipality.

SPATIAL DEVELOPMENT ANALYSIS:

- Although not a strictly spatial planning matter, the issue raised in the IDP about how further low cost housing cannot be provided until substantial investment in waste water and bulk water infrastructure is provided is critical and must be addressed at the upcoming LG MTEC engagements.

- It is not clear if money has been set aside in the budget for the "Paarl South New Public Link Road" or the "Gouda Transport Logistics Hub", both of which are included as projects in the list of "High Priority IDP Status Implementation Projects" in the SDF.

- The Municipality has set aside a budget for environmental protection with the core function being Biodiversity and Landscaping. It is recommended that the Municipality allocates a budget to develop the Alien Invasive Control Management Plan in compliance with the provision of NEM: BA.

- Climate change responses need to be fully integrated into project design, planning and budgeting phases of all projects in order for the Municipality to respond to climate change as well as to enhance its decision-making.

- A budget allocation for Air Quality Management needs to be secured in the IDP. Funds should ideally cover the following: air quality monitoring (passive or continuous monitoring of air pollutants), staff training and implementing air quality intervention strategies.

- Drakenstein Municipality must budget for the development and implementation of their 3rd Generation Integrated Waste Management Plan within their 4th Generation IDP.

- The budget is not responsive to the section 30 function (Control of Incidents) nor to Part 8 of NEM: WA (contaminated land). Training is essential and should be earmarked in the budget.

- The Municipality is advised to note in the 2017 - 2022 Final Adopted IDP findings of the Western Cape Climate Change Response Framework and incorporate relevant adaptation and mitigation strategies proposed especially in relation to the prevailing drought situation.

BUDGET RESPONSIVENESS:

Overview of the key priorities in terms of IDP Strategic Objectives

- Strategic budget allocations in SA5 and SA6 align to the Municipality's long-term growth and development strategy that aims to improve the overall quality of life through enhanced operating and capital expenditure towards economic, social, operational and basic service delivery infrastructure.

Are the budget assumptions in line with the socio-economic environment?

- It is evident that the Municipality took full cognisance of the 2016 MERO and SEP-LG data when calculating its socio-economic assumptions detailed in SA9.

- The Municipality is urged to align the access to basic services data in the IDP to 2015/16 annual report.

- Household statistics – the basis upon which basic service delivery projections are made – accurately align to other external data sets such as the 2016 Community Survey.

- The budget narrative contains an extensive and detailed overview of the various socio-economic assumptions applied when compiling the budget.

Service delivery environment and challenges

- The Municipality is advised to more clearly illustrate the linkages between the key focus areas and specific budget allocations in the IDP, in particular capital expenditure projects as detailed in budget Schedule SA36.

- As per the IDP, the Municipality intends to proactively respond to the increased demand for basic services that has arisen as a result of the recent population growth. The corresponding operating budget allocations toward trading services however only increases marginally.

- The capital allocations to maintain or expand for electricity and waste management infrastructure upgrades are also constrained.

CREDIBILITY AND SUSTAINABILITY:

In view of projected cash shortfalls over the MTREF which will most likely be exacerbated by the current economic environment, the following needs to be carefully considered in order to ensure the financial sustainability of the Municipality:

- The revenue base of the Municipality in real terms are projected to increase marginal, with limited scope to increase tariffs as increases are already above inflation, as all the trading service tariffs except electricity were increased above the upper limit of inflation.

- The impact of higher than inflation increases of tariffs on the disposable income of consumers and collection rate.

- Tariff modelling and full cost accounting.

- Employee related cost pressures both annual increase and head count.

- Aggressive capital outlay and the related maintenance pressures.

- Over reliance on borrowing and the gearing ratio is proportional very high against the national norms. The high debt exposure will negatively impact the borrowing cost which will be passed onto the consumers and ultimately result in an unaffordable municipal bill.

- Debt service costs (interest paid and redemption) to total operating expenditure is above healthy national norms and are steadily eroding resources available for delivery services.

- The Municipality reported low capital spending of which most concerning projects funded from borrowings which have cost implications.

- Return on the capital investment.
- Concerning current ratio that will deteriorate to 1:1 by the end of the MTREF which should be between 1:5 to 2:1 (national norm).
- The Municipality is over exposed to borrowings and is cautioned against taking up any new borrowings.
- The Municipality's liquidity Cash and Current ratios are low and these ratios refer to the ability of the Municipality to pay off its Current Liabilities immediately and the ability of the Municipality to meet its short term obligations.

LG MTEC 3 ENGAGEMENT

Drakenstein Municipality's

Response

11 May 2017

Introduction and Background

1. New IDP with vision 2032 and 2017/2022 MTREF on track.
2. Realistically cash funded operating budget moving to a balanced operating budget in 2021/2022.
3. Long-term Financial Plan and long-term financial sustainability ratios points to a long-term financial sustainable municipality.
4. Drakenstein is a preferred destination for life style developments. We believe in inclusive economic growth opportunities.
5. Environmental and developmental issues are being addressed.
6. Capital investment needs by far exceeds available funding.
7. Need for investment partnerships.
8. Certainly do not get our fair share of grants from the national fiscus.
9. Massive backlogs for housing needs of the poor.

2017 - 2022
Integrated Development Plan

IDP Process

1. Analysis Phase

1.1 IDP Process Plan & Budget Time Schedule – adopted by newly elected Council on 31 August 2017.

1.2 External analysis on Spatial, Social, Economic, Environmental, Sector needs and issues conducted by Management followed by Eight (8) Sectoral Engagements and 33 Ward public meetings held between 14 September and 2 October 2016 and feedback provided on external analysis.

1.3 Internal Analysis: Critical issues / challenges & minimum service levels – in-house exercise done by departments.

1.4 Inter-governmental Alignment: In-house analysis of PERO, MERO, SEP (Socio-Economic Profile), JPI, Sector Plans Analysis & alignment with NDP, National Outcomes, PSP (Provincial Strategic Plan), etc.

2. Strategy and action plan

2.1 Vision 2032, Drakenstein Municipality's 15 year comprehensive development forecast, forms the foundation of this draft IDP for 2017/2022 and the succeeding two IDPs until 2032.

2.2 Various Stakeholder Engagements were held between 8 to 10 February 2017 to consolidate stakeholder input on Vision 2032.

2.3 Strategic Planning Workshops, Stakeholder Discussions by Council and Management – confirming vision, mission, values, KPA's, Strategic Objectives, KFA's and Five-year KPI's and Targets, 2017/18 Draft Top Layer SDBIP, identification of Strategic Risks and Action Plans.

IDP Process (continue)

3. Approval of draft IDP and draft annual budget

3.1 Draft 2017/2022 IDP and Tabled budget submitted to National and Provincial Treasury, prescribed national or provincial organs of state, Cape Winelands District Municipality.

4. Consultation and Refinement

4.1 IDP/Budget Roadshow conducted from 4 April to 4 May 2017 – included public meetings for all 33 wards, 1 x Budget Stakeholder Engagement, 1 x Top 100 Electricity Users Forum meeting & 1 x IDP/Budget Sector Engagement.

Elements of Vision 2032

1. An array of Interventions were identified:
   - in order to ensure vertical and transversal alignment;
   - to ensure adequate time and resource allocation; and
   - to enable performance management an array of interventions were identified.
2. These were classified as Key Initiatives, Programs and Projects and were allocated to a series of Big Moves.
3. Big Moves are initiatives which will, over the next fifteen years dramatically alter and improve the space, economy and sustainability of Drakenstein.
4. In turn, the Big Moves have been located spatially within five Catalytic Zones.
5. All of the above are underpinned by series of transversal enablers, such as policies, procedures and by-laws – the governance, financial and institutional foundation of both Drakenstein the Local Authority, and Drakenstein the City of Excellence.

Overview of key challenges & risks

1. Preparing the IDP Process Plan: Navigating around the Municipal Elections time frames and SPLUMA requirements pertaining IDP/SDF process management alignment.
2. Strategy and Action Plan Development: Due to timing of Municipal Elections this phase extended deep into February 2017.
3. Approval of draft IDP and draft annual budget: Credible IDP dependent on state of current and future financial resource capabilities and priorities need to be shifted accordingly.
4. IDP Risks (as per 2017/18 Risk Register):
   - Non-compliance with laws and regulations pertaining IDP and Performance Management;
   - Failure to align IDP, SDBIP and Performance Agreements;
   - Failure to ensure that public input adequately and fairly influence IDP, Budget and PMS;
   - Failure to produce good quality IDP and Performance Reports; and
   - Failure to ensure adequate stakeholder participation in the IDP, Budget and Performance Management Processes.

"A Place of Excellence" 7

Main Findings: Section 1: Executive Summary

No.	Description/Recommendations	Municipal Response
Conformance with the MFMA, MSA and Municipal Budget and Reporting Regulations (MBRR)		
1.	Partial and non-compliance in terms of various Environmental and Development Planning Legislation and Guidelines was however observed by the Department of Environmental Affairs and Development Planning and was communicated to the Municipality in a letter, reference PTR 13/5/1 (2017/18) dated 6 April 2017.	Response to letter PTR 13/5/1: We disagree with some of the assertions made and will correct these in our formal response. These include: We have budget and capacity within means for climate change mitigation and adaptation We have and maintain a database for pollution incidents, as well as a system for monitoring compliance and enforcement We agree as follows: We have stated we are in the process of developing an Alien Management Plan, as discussed with DEA We need to review the Disaster Management Plan and by-laws with regards pollution management
Responsiveness of IDP, SDF and Budget		
1.	The Municipality has commenced with the developing of long term 15 year vision (2017 - 2032) for the development of the municipal area of an urban growth and management model premised on compact and connected cities and towns. However it should be extended to other rural areas within Drakenstein and also be indicated in the 2017 - 2022 Final Adopted IDP along with associated timelines and budgets.	The Municipality is in the process of developing its rural development framework and strategy. It is anticipated that the final draft document will be submitted in June 2017 for adoption. Flowing from this framework and strategy, projects will be identified and aligned with the IDP and vision 2032.

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Main Findings: Section 3: Compliance Review

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No.	Document description	Level of Compliance	Comments	Municipal Response
Draft IDP				
1.	Draft IDP	The Municipality adopted an Integrated Development Plan (IDP) that meets the legislative requirements in terms of section 26 of the MSA (Core Components) read in conjunction with Regulation 2 of the LG: Municipal Planning and Performance Regulations.	The Municipality should consider the following recommendations: • Expanding the vision to include the Municipality's most critical development and internal transformation needs in accordance with section 26 of the MSA. • The 2017 - 2022 Final Adopted IDP could include spatial maps that indicate the current and future development of all settlements within the municipal area.	The reviewed SDF for 2017/18 will be tabled along with the IDP at the end of May. The review will include the maps and narrative linking the 15 year vision, IDP and SDF Detailed maps indicating future development of the municipal area is reflected in the SDF (core component of the IDP) Spatial maps have been included to spatially map Council's main spatial and economic activities

Main Findings: Section 4: Integrated Planning

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RECOMMENDATIONS	MUNICIPAL RESPONSE
Water and Sanitation: The 2017 - 2022 Draft IDP includes the status and the challenges stipulated, however the figures in Table 1 and Table 16 seem to not be aligned. Hence, the backlog eradication may be based on outdated or incorrect information. The status on water is clear however, on sanitation it is not clear as it seems to be outdated. (p.13)	The Sanitation backlog is addressed and the backlog eradication will be addressed once sufficient funding is allocated to the service. Currently only the major backlogs are attended to which might have an adverse effect on service delivery.
Water and Sanitation: The Municipality should note that all water and sanitation projects must be listed on the WSDP and IDP. (p.13)	The WSDP includes both Water And Sanitation as per statutory requirements.

Main Findings: Section 4: Integrated Planning

RECOMMENDATIONS	MUNICIPAL RESPONSE
Transport and Roads: It should be noted that the District Municipality should consider a Chapter 8 investigation as determined by the Municipal Systems Act in order to determine the institutional arrangements for the rendering of the public transport function within its area of jurisdiction. (p.13)	• The Cape Winelands District Municipality (CWDM) approved the District Integrated Transport Plan during June 2012 and as subsequent action commissioned a study to propose an Integrated Public Transport Framework for its jurisdictional area. • As subsection to this study, the Concept of Operations for the development of an Integrated Public Transport Network (IPTN) for the Drakenstein Municipal area was commissioned and funded by the CWDM. • The report relating to the development of the IPTN for Drakenstein has been completed. • The Drakenstein Council must now consider the way forward to commission a Chapter 8 investigation in terms of the Municipal Systems Act to determine the institutional arrangements for the rendering of the public transport function within its area of jurisdiction.
Human Settlements: The Housing Pipeline reflected in the 2017 - 2022 Draft IDP seems to outdated and not aligned with the latest Human Settlement Business Plan of the Department. (p.14)	• Comment is noted. The Pipeline as reflected in the Draft 2017-2022 was not updated at the time it was submitted. It has, in the meantime, being updated and more closely aligned with the latest Provincial Business Plan. • Simondium and NUSP related projects also reflect on the updated housing pipeline. The updated housing pipeline will be incorporated into the final IDP to be approved by Council.

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Main Findings: Section 4: Integrated Planning

RECOMMENDATIONS	MUNICIPAL RESPONSE
Economic Development: The 2017 - 2022 Draft IDP reflects the current status, key challenges, needs and backlogs in terms of local economic development, however no reference is made in terms of prioritisation. (p.14)	The Municipality has prioritised the development of an Integrated Economic Growth Strategy which will align to the relevant Khulisa Priority Sectors namely Agro-Processing and Tourism in our region. A Business Retention and Expansion Strategy will give effect to the prioritisation of our other sector interventions and will include Agriculture as one of our key sectors. It is important to note that the Integrated Economic Growth Strategy will include the critical elements of ensuring sustainable growth through addressing the four pillars of production namely Land, Labour, Capital and Entrepreneurship and will articulate the Municipality's role as an enabler.
Economic Development: The Municipality indicate the establishment of a partnership with WESGRO for tourism investment strategies as a plan to ignite local economic development, however no indication of cross-regional economic development is present. (p.15)	The Municipality will focus on enhancing cross regional economic development through establishing economic clusters spatially. At this stage the Municipality are in discussions with Stellenbosch Municipality regarding the development of Klapmuts as a regional node. Further cross regional economic development projects include the development of the N1 Corridor in collaboration with the City of Cape Town and Stellenbosch and the development of the Drakenstein Hinterland as an Agro-Processing node. Here we will engage with Swartland Municipality, Witzenberg and Breede Valley.

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Main Findings: Section 4: Integrated Planning

RECOMMENDATIONS	MUNICIPAL RESPONSE
Health: The 2017 - 2022 Draft IDP makes no reference to the health and wellness analysis in respect of the burden of disease, neither to causes of premature death. Reference is made to a HIV/AIDS policy however, no detail of the plan is provided. (p.16)	The appropriate statistics and mortality analysis will be reflected in the final IDP.
Education: The 2017 - 2022 Draft IDP provides education specific statistics that relates to the 2011 - 2016 financial years. To this end, the Western Cape Department of Education will provide the Municipality updated statistics for inclusion in the 2017 - 2022 Final Adopted IDP on request. (p.16)	The statistics are requested from the Department of Education.

Main Findings: Section 4: Integrated Planning

RECOMMENDATIONS	MUNICIPAL RESPONSE
Cultural Affairs and Sport: The department note that challenges such as the permanent appointment of staff and more space at some libraries however remain. (p.16-17)	Staff appointments were done as per current organogram but space for new developments in libraries is included in the wish list to DCAS/CPLS.
Institutional Development and Transformation: The 2017 - 2022 Draft IDP notes that the Municipality has an approved performance management system (PMS) which is implemented. Performance is being measured, evaluated and reviewed regularly, while action plans are being developed to address poor performance. However, there is still a challenge in mainstreaming of the performance management framework to all employees. (p.17-18)	Individual Performance is currently rolled out to S56/7, employees reporting directly to them and also to employees reporting to those that are reporting directly to S56/7. The extension of the roll out to other employees is still in discussion, a new post at HR (Manager Workstudy/IPM) has been filled and the employee starts on 16 May 2016. The matter will be further discussed and the Performance Management Framework will have to be reviewed and amended accordingly.

Finalisation of IDP

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Final approval:

1. Budget Steering Committee to consider public submissions.
2. In-house preparation of the relevant documentation and submission to Strategic Management Committee (15/05/2017).
3. MAYCO (24/05/2017) approves the final IDP and final annual budget.
4. Council (31/05/2017) approves the final IDP and final annual budget.
5. Per Directorate SDBIP Refinement Sessions (16 to 18/05/2017) and Strategic Management Team Working Session (23/05/2017) – inclusive of Top Layer and Departmental SDBIP.
6. Technical Review of TL SDBIP and submission to Executive Mayor by 14/06/2017 and approval by 28/06/2017.
7. Post-approval statutory submissions of IDP and Top Layer SDBIP to MEC for Local Government, PT, NT and Auditor General within legislated timeframes.

Finalisation of IDP (continue)

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IDP Related Conformance

- IDP Documentation: Council Resolution in terms of the IDP (optional for tabling of IDP but compulsory for approval of IDP) was submitted to DLG.

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ACKNOWLEDGEMENT OF RECEIPT

DATE	NAME & SURNAME	ORGANISATION	TELEPHONE	DESCRIPTION OF ITEM	SIGNATURE
20/04/2017	I. Mckenzie	Isaac Mckenzie MEC: Local Government	021 483 3683	• Copy Draft IDP 2017/2022 • Council Resolution • Advertisement • SDBIP as enclosed in the Draft IDP 2017/2022	

Please complete and forward to the IDP/PMS Unit:
Fax: 0866014098 or,
Email: idp@drakenstein.gov.za

Planning & Environmental Management Issues

Main Findings: Section 5: Environmental & Developmental Planning Analysis

RECOMMENDATIONS	MUNICIPAL RESPONSE
Spatial Development Analysis: The 2017 - 2022 Drakenstein Draft IDP sets out the strategic intent of the Municipality in a clear and well-articulated way, however the IDP is not yet the cohesive, integrated and strategic document required to guide the transformational needs of Drakenstein, and to lead in the Municipality in achieving growth and development objectives. The IDP would benefit from a more in-depth reflection on linkages with neighbouring municipalities, the regional space-economy context of Drakenstein as the lead secondary city in the Western Cape Province, and its role and context within the bigger Cape Metro functional area. (p.19)	Role and context: • The IDP document, with reference to Vision 2032, now makes provision for 5 Catalytic Zones within the Drakenstein Municipal Area. • The IDP and SDF promotes these catalytic zones as corridors for integrated development within the municipality. Another map is included in the SDF and IDP that indicates the linkages of these catalytic zones with the surrounding municipalities. Both documents now provide a narrative on the role and context of Drakenstein Municipality in the Greater Cape Metro functional area. Achieving growth and development objectives: The IDP indicates five Catalytic Zones for spatial and economic activity. The 5 Catalytic Zones are mapped indicating its geographical location and indicates the spatial location of "Big Moves". Big Moves are initiatives which will, over the next 15 years and in increments of five years (to align with IDP process), dramatically alter and improve the space, economy and sustainability of Drakenstein. In order to achieve these "Big Moves", key initiatives, projects and programmes have been identified by all municipal departments to achieve the desired development objective for the Catalytic Zones. Commitments are also provided indicating the IDP cycle timeframe, alignment to a budget and responsible department. This information will be used to develop smart key performance indicators to be reflected in the SDBIP.

Main Findings: Section 5: Environmental & Developmental Planning Analysis

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RECOMMENDATIONS	MUNICIPAL RESPONSE
Spatial Development Analysis: The final IDP and, where it may be relevant, the SDF need to give due consideration to and include the most recent up to date information of the planned investment and development initiatives of all spheres of government for the MTEF, and indicate linkages with the strategies and geographical targeted areas to achieve integrated service delivery and efficiency through spatial alignment. (p.19)	The proposal to include planned investment of all spheres of government is noted and could be addressed in the following yearly review of the IDP and SDF. The final IDP will contain extracts of Division of Revenue Bill (DORA) national financial allocations and provincial financial allocations as per Government Gazette 40610 of 10 February 2017 & Provincial Gazette Extraordinary 7742 of 7 March 2017 for Drakenstein Municipality.
Spatial Development Analysis: Some of the sector plans for Drakenstein remain dated, detracting from the ability of the IDP to draw on the most recent up to date information as informants to the IDP strategies. It is therefore suggested that the final IDP, and to a lesser extent, but where it may be relevant, the SDF are updated with credible and up to date information (adequately referenced). (p.19-20)	The most recent sectoral plans and strategies are used to update the SDF. Budgetary constraints do, however, make it challenging for regular review and update of key sector plans.
Spatial Planning: Although not a strictly spatial planning matter, the issue raised in the IDP about how further low cost housing cannot be provided until substantial investment in waste water and bulk water infrastructure is provided, is critical and must be addressed at the upcoming LG MTEC engagements.	The provision of bulk infrastructure is necessary for the development of low cost housing and any other development. Budget constraints will effect service delivery.

Main Findings: Section 5: Environmental & Developmental Planning Analysis

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RECOMMENDATIONS	MUNICIPAL RESPONSE
Spatial Planning: Given the development pressures experienced in the "rural areas" outside of the settlements in Drakenstein Municipality, we once again urge the Municipality to strongly consider amending the definition of "retained rural areas" to not allow for low density housing developments outside of the urban edge.	The definition for "retained rural areas" makes a clear distinction between land uses for outside the urban and inside the urban edge. The designation and its definition have been adhered to when advising developers and property owners and/or recommending land use applications. The designation has already been addressed for site-specific applications within the urban edge during the yearly review process of the SDF.
Spatial Planning: It is not clear if money has been set aside in the budget for the "Paarl South New Public Link Road" or the "Gouda Transport Logistics Hub", both of which are included as projects in the list of "High Priority IDP Status Implementation Projects" in the SDF.	Both Paarl South New Public Link Road" and the "Gouda Transport Logistics Hub" projects are considered key initiatives in the IDP and the SDF highlights these projects for inclusion in the IDP as high priorities. The IDP will give effect to the timelines, budget and responsible department as per the Catalytic Zones.
Biodiversity Management: It is recommended that the Municipality allocates a budget to develop the Alien Invasive Control Management Plan in compliance with the provision of NEM: BA. (p.20)	Budget has been allocated. The final amount will be confirmed end May
Climate Change: The Municipality is encouraged to review the Climate Change Advisory document sent in September 2016 providing information on how climate change can be mainstreamed into budgets and project planning. (p.21)	The Municipality is doing a Climate Change Adaptation Plan in conjunction with the Provincial Authorities. A draft will be finalised by the end of the financial year, with the final report due by December 2017. It is noted that as the Province has limited capacity to tackle this issue the Municipality was formally requested to take over this initiative.

Main Findings: Section 5: Environmental & Developmental Planning Analysis

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RECOMMENDATIONS	MUNICIPAL RESPONSE
Air Quality Management: Although the AQMP has been incorporated into the Municipalities Integrated Development Plan (IDP) and meets content requirements listed in section 16 of the NEM: AQA; there is no budget allocated for air quality management activities. (p.21)	The Council will consider to provide funding in the 2018/19 year.
Waste Management Licensing: Wellington WDF: The Wellington WDF was last audited on 14 September 2016 and received a Departmental Compliance Audit score of 87.5 per cent. The total cost of required infrastructure to enable the Wellington WDF to comply with conditions of their permit/waste management license will be approximately R4.38 million. Gouda WDF: The WDF was not audited in the last year. The total cost of required infrastructure to enable the Gouda WDF to comply with conditions of their permit/waste management license will be approximately R5.18 million. Paarl RTS/MRF: The Paarl RTS/MRF was last audited on 2 October 2015 and received a Departmental Compliance Audit score of 72 per cent. The total cost of required infrastructure to enable the Paarl RTS/MRF to comply with conditions of their permit/waste management license will be approximately R10.18 million. (p.21-22)	The only possible gas emission out of the waste management sites will be the Wellington Landfill facility as it is registered as a general site and receives organic material. None of the other sites receives organic material and thus will not create any gasses.

Main Findings: Section 5: Environmental & Developmental Planning Analysis

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RECOMMENDATIONS	MUNICIPAL RESPONSE
Waste Management Planning: Drakenstein Municipality must budget for the development and implementation of their 3rd Generation Integrated Waste Management Plan within their 4th Generation IDP. (p. 22)	Budgeted for in 2017/2018 financial year
Waste Information Management: Wellington Landfill: This facility is Non-Compliant in terms of reporting on IPWIS. The Municipality has a weighbridge and is therefore able to report accurate waste quantities. The information currently reported for Wellington Landfill site can however not be verified as the Municipality is not submitting supporting information, such as weighbridge reports, to the Department. The information reported on IPWIS is for waste disposed only, and no diversion information has been reported. (p.23)	• All weighbridge actual slips are filed and submitted to the Department on and when requested. • The Material Recovery Facility was registered in 2015, which include diversion of recyclable waste received at the Wellington drop-off as this is brought to the MRF for sorting and further processing. • Construction and Demolition waste as well as green waste, are diverted from landfill. • Clarity around the different waste flows will be obtained from the Department to ensure accurate reporting.

Main Findings: Section 5: Environmental & Developmental Planning Analysis

RECOMMENDATIONS	MUNICIPAL RESPONSE
Pollution and Chemicals Management: Although the Local Municipality (LM) partially complies regarding the section 30 (Control of Incidents) function of the National Environmental Management Act, it is imperative that the LM identify an already appointed official to carry out this function. In order to protect buyers from purchasing land that may be contaminated, the LM should keep a database of contaminated land sites to prevent the transfer of contaminated land to unsuspecting parties (Contaminated Land: Part 8 of the National Environmental Management: Waste Act). The budget is not responsive to the section 30 function nor to Part 8 of NEM: WA (contaminated land). Funds for cost of travel and accommodation to enable identified officials to attend training for both of these should be clearly earmarked in the budget. Budget should also be allocated for travel by identified official to potential section 30 incident sites within the LM. (p.23)	An official (Mr J Knaggs) has been identified to carry out the administration of Section 30 incidents in the municipal area, assisted by a further official. Both these officials have gone through training on the handling of hazardous substances as well as handling Section 30 incidents which were hosted by DEA&DP. Any future training needs are covered by the general conference school expenditure vote and all travel and accommodation requirements will be covered by the general travel and accommodation vote numbers. The regulations stipulate that "an owner of land that is significantly contaminated, or a person who undertakes an activity that caused the land to be significantly contaminated, must notify the Minister of that contamination". The municipality keeps record of all land where Section 30 pollution (emergency) incidents occurred on as well as the remediation thereof. The municipality needs to establish a communication channel with National Department of Environmental Affairs to update our register with land parcels that are directly reported to the national office.

2017/18 MTREF Budget

Budget Process

1. Budget Process Plan was approved by Council in July 2016.
2. 2015/2016 Roll-over capital budget was approved in August 2016.
3. Capital programme was updated in November 2016 after IDP review process in October 2016.
4. 2016/2017 Revised budget and 2017/2018 draft budget schedules were distributed en of November 2016.
5. Section 72 Mid-year budget report was tabled to Council end of January 2017.
6. Council approved 2016/2017 adjustments budget in February 2017.
7. Council approved 2017/2022 MTREF, proposed tariffs and budget related policies on 31 March 2017.
8. Budget roadshows took place in April 2017.
9. Currently preparing final budget documentation for approval by Council on 31 May 2017.

Budget Assumptions / Parameters

2017/2022 MTREF KEY BUDGET ASSUMPTIONS

LINE NO.	DESCRIPTION	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
1	GROWTH PARAMETERS							
2	Growth (GDP)	1.50%	1.70%	1.30%	2.00%	2.20%	2.20%	2.20%
3	Headline inflation rates	5.50%	6.00%	6.10%	5.70%	5.60%	5.60%	5.60%
4	TARIFF INCREASES							
5	Property rates revenue increase	5.60%	5.60%	9.49%	8.60%	8.60%	8.60%	8.60%
6	Property rates (Residential: Urban vs Rural)	100:100	100:100	100:100	100:100	100:100	100:100	100:100
7	Property rates (Residential: Rural: Rebate: W/R/S)	7.5% x 3	7.5% x 3	7.5% x 3	7.5% x 3	7.5% x 3	7.5% x 3	7.5% x 3
8	Property rates (Privately Owned Towns: Rebate: PR/R/S)	7.5% x 3	7.5% x 3	7.5% x 3	7.5% x 3	7.5% x 3	7.5% x 3	7.5% x 3
9	Property Rates (Business: Urban vs Rural)	100:60	100:60	100:60	100:60	100:60	100:60	100:60
10	Refuse removal services revenue increase (Waste to energy project)	9.70%	9.70%	9.70%	9.70%	9.70%	9.70%	9.70%

Budget Assumptions / Parameters (continue)

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2017/2022 MTREF KEY BUDGET ASSUMPTIONS								
LINE NO.	DESCRIPTION	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
11	Refuse removal services revenue increase (No Waste to energy project)	9.70%	9.70%	9.70%	9.70%	100.00%	9.70%	9.70%
12	Sanitation services revenue increase	15.00%	15.00%	15.00%	15.00%	11.00%	11.00%	11.00%
13	Water services revenue increase	10.00%	9.00%	8.00%	7.00%	6.00%	6.00%	6.00%
14	Electricity life line consumers	6.40%	6.60%	1.75%	5.70%	5.60%	5.60%	5.60%
15	Electricity other consumers	12.20%	7.64%	1.88%	5.70%	5.60%	5.60%	5.60%
16	Conventional vs Pre-paid meters (Fixed charges)	100:100	100:100	100:100	100:100	100:100	100:100	100:100
17	NDC: Bulk TOU Consumers (Non-Seasonal vs Seasonal: 2 months)	100:16.67	100:16.67	100:16.67	100:16.67	100:16.67	100:16.67	100:16.67
18	NDC: Bulk TOU Consumers (Non-Seasonal vs Seasonal: 4 months)	100:33.33	100:33.33	100:33.33	100:33.33	100:33.33	100:33.33	100:33.33
19	NDC: Bulk TOU Consumers (Non-Seasonal vs Seasonal: 6 months)	100:50	100:50	100:50	100:50	100:50	100:50	100:50
20	NDC: Bulk TOU Consumers (Boland Rugby / Cricket / Old Age Homes)	Zero	Zero	Zero	Zero	Zero	Zero	Zero

Budget Assumptions / Parameters (continue)

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2017/2022 MTREF KEY BUDGET ASSUMPTIONS								
LINE NO.	DESCRIPTION	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
21	Housing rental revenue	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
22	EMPLOYEE RELATED COSTS							
23	Wage bill cost-of-living increases	7.00%	6.50%	7.40%	6.70%	6.60%	6.60%	6.60%
24	Average notch increase	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
25	Prioritised vacant positions	R 16.0 M	R 19.0 M	R 39.3 M	R 42.0 M	R 51.0 M	R 60.0 M	R 60.0 M
26	BULK PURCHASES							
27	Bulk Purchases - Electricity	14.24%	7.86%	0.31%	5.70%	5.60%	5.60%	5.60%
28	Bulk Purchases - Water	26.22%	10.00%	6.00%	6.00%	6.00%	6.00%	6.00%
29	GRANTS: NATIONAL DEPARTMENTS							
30	Equitable share	R 96 845 000	R 106 240 000	R 120 821 000	R 137 935 000	R 151 671 000	R 160 771 260	R 170 417 536

Budget Assumptions / Parameters (continue)

DRAKENSTEIN MUNISIPALITEIT • MUNICIPALITY • UMASIPALE WASE

2017/2022 MTREF KEY BUDGET ASSUMPTIONS								
LINE NO.	DESCRIPTION	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
31	Equitable share % growth	13.51%	9.70%	11.72%	9.54%	5.80%	6.00%	6.00%
32	Financial Management Grant	R 1 450 000	R 1 475 000	R 1 550 000	R 1 550 000	R 1 550 000	R 1 550 000	R 1 550 000
33	Municipal Systems Improvement Grant	R 930 000	R 1 300 000	R -	R -	R -	R -	R -
34	Municipal Infrastructure Grant (MIG)	R 34 046 000	R 33 542 000	R 35 709 000	R 37 612 000	R 39 621 000	R 41 977 915	R 41 977 915
35	Municipal Infrastructure Grant (MIG) % growth	2.74%	-1.48%	7.09%	5.33%	5.33%	5.33%	5.33%
36	Integrated National Electrification Programme (INEP)	R 4 000 000	R 5 000 000	R 4 000 000	R 4 000 000	R 4 000 000	R 4 000 000	R 4 000 000
37	Regional Bulk Infrastructure Grant	R 39 000 000	R 1 900 000	R -	R -	R -	R -	R -
38	Expanded Public Works Programme	R 1 112 000	R 1 352 000	R 2 456 000	R -	R -	R -	R -
39	Energy Efficiency and Demand Management	R -	R 5 000 000	R -	R -	R -	R -	R -

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Budget Assumptions / Parameters (continue)

DRAKENSTEIN MUNISIPALITEIT • MUNICIPALITY • UMASIPALE WASE

2017/2022 MTREF KEY BUDGET ASSUMPTIONS								
LINE NO.	DESCRIPTION	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
40	GRANTS: PROVINCIAL DEPARTMENTS							
41	Human Settlements Development Grant	R 75 524 000	R 33 800 000	R 75 764 000	R 139 735 000	R 58 479 000	R 58 479 000	R 58 479 000
42	Library Services Conditional Grant	R 13 417 000	R 15 083 000	R 19 041 000	R 21 556 000	R 17 500 000	R 17 500 000	R 17 500 000
43	Community Development Worker Operational Grant	R 113 000	R 113 000	R 111 000	R 111 000	R 111 000	R 111 000	R 111 000
44	Maintenance and Construction of Transport Grant	R 15 842 000	R 19 263 000	R 42 647 000	R 38 000 000	R -	R -	R -
45	Water for Sustainable Growth and Development	R -	R 500 000	R -	R -	R -	R -	R -
46	LG Governmant Graduate Internship Grant	R -	R 60 000	R -	R -	R -	R -	R -
47	Financial Management Capacity Building Grant	R -	R 120 000	R 240 000	R 360 000	R 480 000	R -	R -
48	Transport Grant (Impound Facility)	R -	R 4 990 435	R -	R -	R -	R -	R -
49	Accelerated Housing Delivery Grant	R -	R -	R 10 000 000	R -	R -	R -	R -
50	Thusong Service Centres Grant	R -	R -	R -	R -	R 200 000	R -	R -

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Budget Responsiveness: Strategic Objectives & Budget Priorities

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1. Drakenstein has developed a strategic matrix that will inform the capital and operating budgets over the next fifteen years – Vision 2032.
2. The matrix consists of 256 big moves, projects, programmes or key initiatives that will ensure outcomes that will enhance the quality of life of all Drakenstein's citizens.

IM's	KPA	KFA's	KPA Description
1 - 26	1	1 – 7	Governance and Stakeholder Participation
27 - 40	2	8 – 15	Financial Sustainability
41 - 88	3	16 – 22	Institutional Transformation
89 - 163	4	23 – 30	Physical Infrastructure and Services
164 - 212	5	31 – 40	Planning and Economic Development
213 - 227	6	41 – 48	Safety and Environmental Management
228 - 256	7	49 – 57	Social and Community Development

Budget Responsiveness: Strategic Objectives & Budget Priorities (continue)

DRAKENSTEIN MUNISIPALITEIT • MUNICIPALITY • UMASIPALE WASE

VISION 2032 IMPLEMENTATION MATRIX

KEY PERFORMANCE AREA (KPA) 2: FINANCIAL SUSTAINABILITY

NO	KFA	BIG MOVES PROJECTS PROGRAMMES KEY INITIATIVES	RISK	TIME FRAMES 2017/2022	TIME FRAMES 2022/2027	TIME FRAMES 2027/2032	DEPARTMENT DIVISION
IM 027	KFA 8: Revenue Management	**Project**: Replacing all conventional water meters with prepaid water meters.	Failure to budget for and to install prepaid water meters.	√	√	√	Infrastructure and Financial Services
IM 028	KFA 8: Revenue Management	**Programme**: Filling of critical vacant positions of Revenue Enhancement Unit, Credit Control Unit and Customer Care Unit.	Failure to accurately bill and collect revenue due to the Municipality.	√	√	√	Corporate and Financial Services
IM 029	KFA 8: Revenue Management	**Programme**: Communication on payment of accounts and payment methods (Inserts in newsletter and presence on social media).	Failure to collect revenue due to the Municipality due to a lack of payment methods.	√	√	√	Financial Services
IM 030	KFA 8: Revenue Management	**Big move**: Establishment of Municipal Court.	Failure to collect fines revenue due to the Municipality.	√	√	√	Corporate and Community Services
IM 031	KFA 9: Expenditure and Cost Management	**Programme**: Develop a Capital Project Implementation Plan with actions and target dates for all tenders / orders awarded.	Failure to implement capital projects due to a lack of detailed project plans.	√	√	√	All Departments (Champion: CFO)
IM 032	KFA 9: Expenditure and Cost Management	**Key initiative**: Develop a Standard Operating Procedure on cost saving measures.	Failure to procure goods or services that will ensure value for money for the local community.	√			Financial Services

Budget Responsiveness: Strategic Objectives & Budget Priorities (continue)

IM 033	KFA 10: Budgeting / Funding	**Key Initiative:** Obtain conditional grant funding from government programmes to release the pressure on external borrowings.	Failure to decrease the gearing ratio over the next five years.	√	√	√	All Departments
IM 034	KFA 11: Capital Expenditure	**Programme:** Develop a capital programme in terms of Council's Prioritisation Model for Infrastructure Investment with funding sources ten years in advance.	Failure to implement capital projects to ensure service delivery and to stimulate economic growth.	√	√	√	All Departments (Champion: CFO)
IM 035	KFA 10: Budgeting / Funding	**Programme**: Develop a zero-based operational budget for the 5 year Medium-Term Revenue and Expenditure Framework.	Failure to adequately plan for an operational budget based on a motivated needs basis.	√	√	√	All Departments (Champion: CFO)
IM 036	KFA 12: Asset Management	**Programme:** Filling of all funded critical vacant positions in the Assets Management Section.	Failure to compile a GRAP compliant assets register.	√	√	√	Corporate and Financial Services
IM 037	KFA 13: Financial Viability	**Key Initiative:** Attract investment for a range of housing typology opportunities.	Failure to unlock the upgrading of the R301 from the N1 to Schuurmansfontein turnoff.	√	√	√	Infrastructure and Financial Services
IM 038	KFA 14: SCM	**Programme**: Continue development programme for all departments on SCM practices.	Failure to deliver services due to inadequate planning in the SCM cycle.	√	√	√	All Departments (Champion: CFO)
IM 039	KFA 15: Financial Reporting	**Project**: Create user friendly financial sustainability dashboard of Municipal Money Website and MFMA Circular 71 ratios.	Failure to ensure and to improve the financial sustainability of the Municipality.	√			Financial Services
IM 040	KFA 15: Financial Reporting	**Programme:** Maintenance of the financial sustainability ratio's dashboard.	Failure to ensure and to improve the financial sustainability of the Municipality.	√	√	√	Financial Services

Budget Responsiveness: Socio-economic Context and Impact

1. Drakenstein plans for a growing economy in an inclusive way. We believe in growing our tax base through investment opportunities to cross subsidise the poorer communities.
2. Drakenstein invest heavily in bulk infrastructure – electricity, water, waste water, roads and storm water to stimulate economic growth to generate additional revenues.
3. Developments along the R301 from the N1 to Drakenstein Correctional Services will generate an estimated additional revenue of R 656.4 million over the next ten years. These 8,486 high and middle income housing opportunities and some commercial activities are needed to cross subsidise the 4,600 low cost and social housing opportunities at Vlakkeland and Erf 16161. Further electricity supply applications along the N1 and the R301 for 4,515 middle income housing opportunities puts further pressure on our bulk infrastructure.
4. One major stumbling block out of Drakenstein's control is the upgrading of the R301 to a Class 1 dual carriage way. The estimated costs for this project amounts to R 317 million. However a Class 1 single carriage way from the N1 to Schuurmansfontein turnoff at an estimated cost of R 113.5 million will suffice for the Provincial Roads Engineer (PRE) to support the developments along the R301. Currently the PRE do not support the developers' applications due to unsafe conditions of the road.
5. Developers along the R301 are prepared to contribute R 42 million to the upgrade of the R301.

Budget Responsiveness: Socio-economic Context and Impact (continue)

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6. Drakenstein do not get sufficient grants for housing and bulk infrastructure projects from the national fiscus. The Vlakkeland housing project is a catalytic housing project but do not get sufficient bulk infrastructure grant funding.
7. Based on MIG allocations criteria and a report compiled for national and provincial government we will have to unnecessarily borrow R 626 million to invest in bulk infrastructure capital projects over a nine year period to stimulate economic growth. For 2016/2017 and 2017/2018 it amounts to R 106 million and R 278 million respectively. This pushes up our gearing ratio above acceptable levels.
8. Drakenstein will take up external loans from Standard Bank in the beginning of June 2017 for an amount of R 421 million and early in 2017/2018 the rest of R 85 million. One of Standard bank's conditions is that our gearing ratio may not increase above 70%.

Budget Responsiveness: Socio-economic Context and Impact (continue)

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TABLE 13: 2017/2022 MTREF HIGH LEVEL CAPITAL BUDGET PER INFRASTRUCTURE TYPE

Infrastructure Type	Original Budget 2016/2017	2016/2017 Approved Revised Capital Budget	Tabled 2017/2018 Budget	Distribution %	2018/2019 Indicative Capital Budget	2019/2020 Indicative Capital Budget	2020/2021 Indicative Capital Budget	2021/2022 Indicative Capital Budget	2022/2023 Budget Needs and Onwards
Basic Services Infrastructure	455 941 376	525 905 512	489 811 815	77.4%	283 937 201	221 580 226	276 800 702	220 575 702	2 627 368 595
Economical Infrastructure	72 139 474	84 814 896	72 305 169	11.4%	91 934 375	59 036 270	6 165 000	50 975 000	953 059 692
Operational Infrastructure	25 572 677	49 980 147	33 530 909	5.3%	27 283 957	27 036 774	36 931 500	64 115 000	743 452 187
Social Infrastructure	38 820 915	67 365 397	37 493 650	5.9%	35 013 776	30 574 863	19 534 302	8 765 802	258 055 256
Grand Total	592 474 442	728 065 952	633 141 543	100.0%	438 169 309	338 228 133	339 431 504	344 431 504	4 581 935 731

Responsiveness of Fiscal Framework

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Description	Approved Adjustment budget 2016/2017	2017/2018 Tabled Operating budget	2018/2019 Indicative Operating Budget	2019/2020 Indicative Operating Budget	2020/2021 Indicative Operating Budget	2021/22 Indicative Operating Budget
Deficit / (Surplus) =	19 304 366	-19 169 473	32 821 867	76 271 633	78 240 855	68 861 154
Plus: Transfers Recognised: Capital =	66 417 172	84 347 367	68 957 893	37 376 568	39 431 504	39 431 504
Operating Deficit / (Surplus) =	85 721 538	65 177 894	101 779 760	113 648 201	117 672 359	108 292 658
Less: Depreciation =	-188 506 431	-188 506 431	-199 673 156	-201 673 156	-218 211 259	-220 211 259
Plus: Redemption on External Loans =	134 288 458	152 332 556	163 955 368	177 447 355	198 788 738	220 641 047
Less: Losses on Sale of Assets =	-2 000 000	-2 000 000	-2 000 000	-2 000 000	-2 000 000	-2 000 000
Less: Impairment on Assets =	-2 000 000	-2 000 000	-2 000 000	-2 000 000	-2 000 000	-2 000 000
Less: Employee Benefits (L, P, M & LSA) Provision =	-23 576 589	-27 103 417	-29 191 554	-31 438 918	-33 862 038	-36 450 793
Less: Provision for Landfill Site Rehabilitation =	-9 159 738	-		-		-
Revised Cash Deficit / (Surplus) =	-5 232 762	-2 099 398	32 870 418	53 983 482	60 387 800	68 271 653
Additional Revenue: Kliprug Substasie =	-	-41 407 400	-66 219 969	-74 919 563	-88 345 527	-123 292 171
Additional Revenue: N1 Substasie =	-	-	-7 054 306	-19 928 625	-44 868 287	-83 900 798
Additional Revenue: BNG Housing Project =	-	-	-4 555 812	-9 763 488	-15 604 031	-22 174 434
Additional Revenue: Erf 16161 =	-	-	-1 501 118	-13 328 762	-22 651 855	-24 045 226
Less: Additional Expenditure =	-	-	6 555 618	21 510 438	41 562 087	65 060 229
Total Estimated Additional Revenue =	-	-41 407 400	-72 775 587	-96 430 001	-129 907 614	-188 352 400
Revised Cash Deficit / (Surplus) =	-5 232 762	-43 506 798	-39 905 169	-42 446 519	-69 519 814	-120 080 747
Difference Between Balanced and Funded Budget =	85 721 538	23 770 494	29 004 173	17 218 201	-12 235 255	-80 059 742

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Responsiveness of Fiscal Framework (continue)

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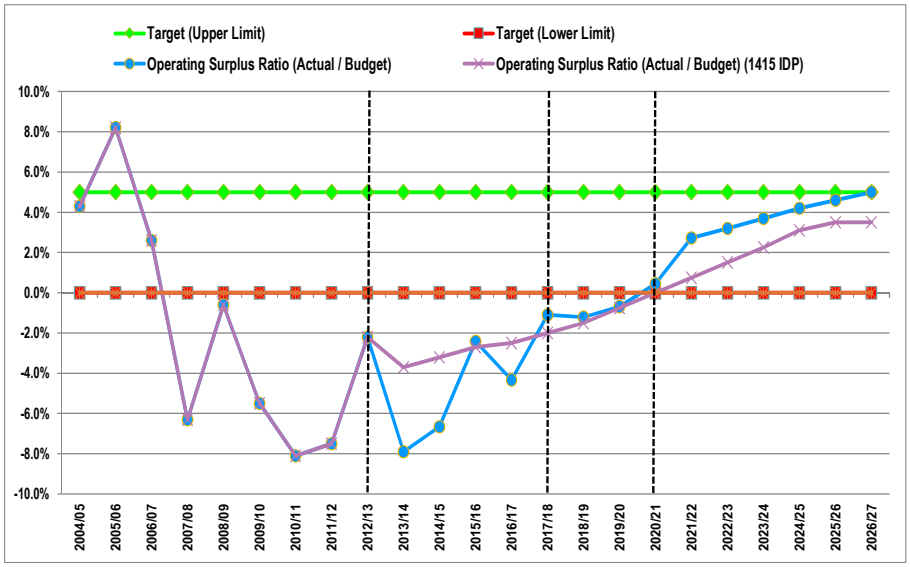

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Responsiveness of Fiscal Framework (continue)

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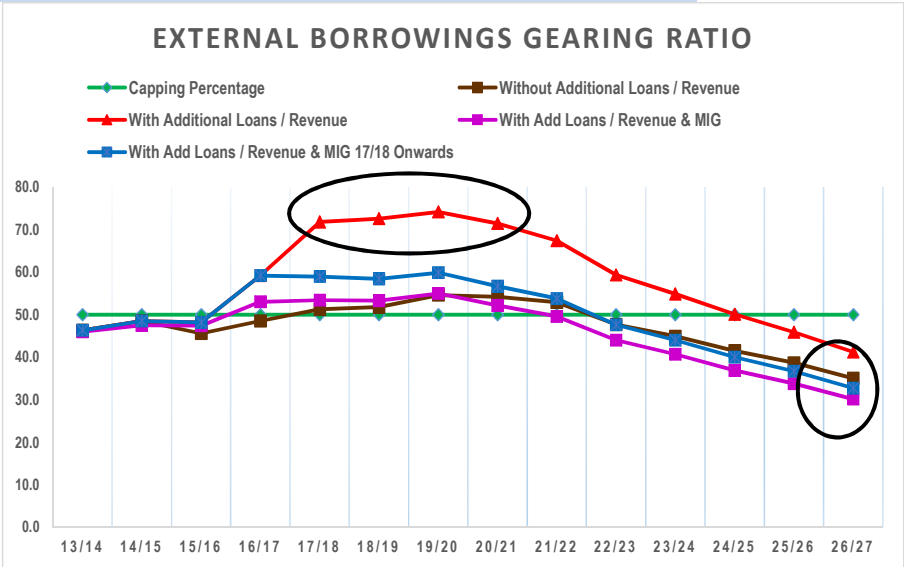

Responsiveness of Fiscal Framework (continue)

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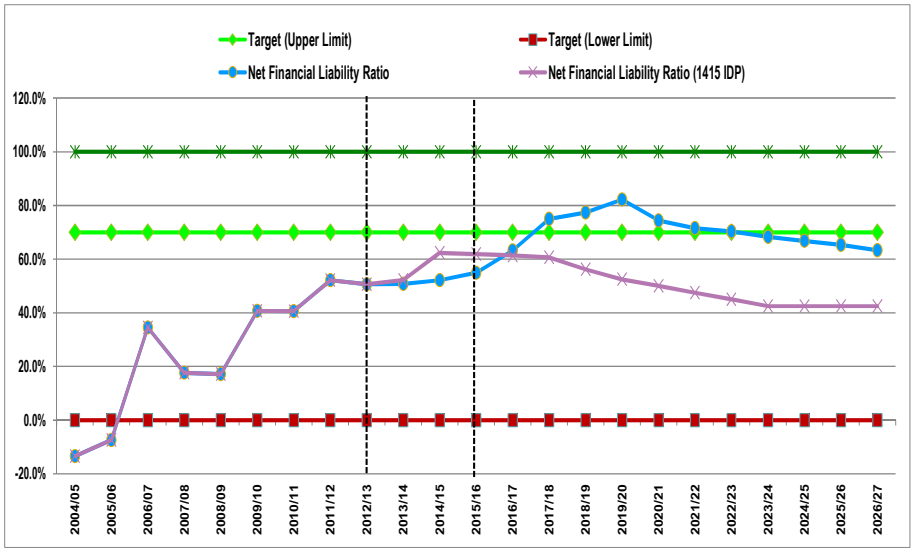
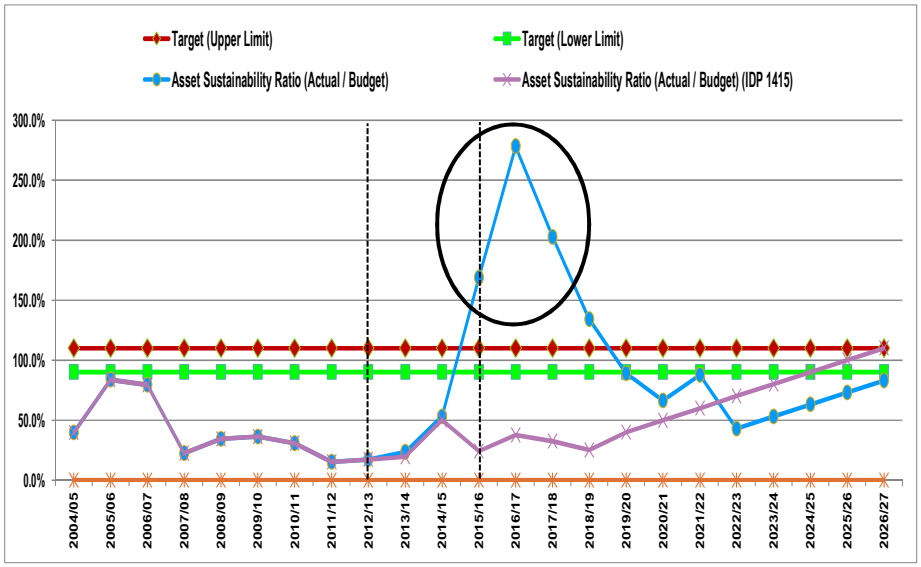


Responsiveness of Fiscal Framework (continue)



Credibility and Sustainability

1. Actual capital expenditure as 30 April 2017 amounted to R 320,162,250 whilst commitments amounted to R 254,463,394. Total actuals and commitments of R 574,625,644 represents 78.9% of the total capital budget of R 728,065,952 after 10 months of the financial year. Target of 97% spending should still be reached.
2. Drakenstein did not roll-over the R 84.9 million budgeted capital expenditure that was reduced during the February 2017 adjustments budget to the 2017/2018 financial year. The cuts were new capital projects that had to compete with the available funding sources for 2017/2018. Alternative some new capital projects originally earmarked for 2017/2018 was pushed out to the outer years' capital budget.
3. Drakenstein is going to develop a ten year capital budget to increase spending in years 6 to 10 from now to ensure that the gearing ratio stays just below the 50% mark. Our needs are simply just too great.
4. Our depreciation costs budgeted for 2017/2018 is correct since the outer years' budgets makes provision for the increase in deprecation costs when the current multi year bulk infrastructure capital projects (WIP) are commissioned.

Credibility and Sustainability (continue)

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5. The recommendation that repairs and maintenance costs must constitute 8% of the carrying value of PPE is a crazy norm. There are many reasons for this statement:
   - Some municipalities, when they converted to GAMAP/GRAP, used the historical values as basis for their asset registers.
   - Some municipalities, when they converted to GRAP, used the current replacement value as the basis for their assets registers.
   - If depreciation periods per asset class or component are not the same in all municipalities the carrying value from one municipality to another will differ substantially.
6. Our repair and maintenance costs as a percentage of our operating expenditure amounts to approximately R 173.4 million or 8.3%. If it has to be 8% of our current carrying value of PPE as at 30 June 2016, this amount will have to be R 367.7 million which means that operating expenditure should increase with a further R 194.3 million. This will result that all our tariffs (electricity excluded) that we have control over (property rates, water, sanitation and refuse) needs to increase with another 28.4% to generate sufficient revenue. THIS IS SIMPLY NOT POSSIBLE.

Finalisation of Budget

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1. Currently preparing final budget documentation – A and SA Schedules, annual budget document in NT required format, tariff book, budget related policies and document based on public comments received.
2. Submit to Budget Steering Committee for "approval" on 24 May 2017.
3. Submit to MAYCO for "approval" on 24 May 2017.
4. Submit to Council for APPROVAL on 31 May 2017.
5. Submit it in electronic and hard copy format to National treasury and Provincial Treasury on or before 14 June 2017.
6. Publish official property rates tariff in government gazette during June 2017.
7. Publish an advertisement in the local newspapers on the final tariffs approved.
8. Take up external borrowings for the 2016/2017 financial year's capital budget early in June 2017.

Partnering for Development: Initiatives and opportunities

Partnering for Development

1. The Municipality has prioritised the development of an Integrated Economic Growth Strategy which will align to the relevant Khulisa Priority Sectors namely Agro-Processing and Tourism in our region.
2. A Business Retention and Expansion Strategy will give effect to the prioritisation of our other sector interventions and will include Agriculture as one of our key sectors.
3. It is important to note that the Integrated Economic Growth Strategy will include the critical elements of ensuring sustainable growth through addressing the four pillars of production namely Land, Labour, Capital and Entrepreneurship and will articulate the Municipality's role as an enabler.

Partnering for Development (continue)

4. The Municipality will focus on enhancing cross regional economic development through establishing economic clusters spatially. At this stage the Municipality are in discussions with Stellenbosch Municipality regarding the development of Klapmuts as a regional node.
5. Further cross regional economic development projects include the development of the N1 Corridor in collaboration with the City of Cape Town and Stellenbosch and the development of the Drakenstein Hinterland as an Agro-Processing node. Here we will engage with Swartland Municipality, Witzenberg and Breede River Valley.

Concluding Remarks

1. The R301 from the N1 to Drakenstein Correctional Services needs to be upgraded to a Class 1 carriage way by the Provincial Department of Transport. The developers will contribute to the upgrading costs.
2. This will unlock 8,486 high and middle income housing opportunities and commercial activities. Together with the further 4,515 middle income housing opportunities along the N1 and the R301 north of the N1 these developments are needed to cross subsidise 4,600 low cost and social housing opportunities in Vlakkeland and Erf 16161.
3. Serious bulk infrastructure investment is needed and Drakenstein have to borrow these funds since our MIG allocations that Drakenstein qualify for are totally underfunded by R 626 million from the national fiscus. Unnecessary additional borrowings of R 626 are pushing our gearing ratio above acceptable norms.
4. Drakenstein needs all possible grant funding sources from MIG, RBIG, IPSA and USAID programmes to stimulate this abnormal developmental pressures being experienced. Council resolved that a workshop with all relevant stake holders (NT, PT, COGHTA, DPLG, USAID and etcetera) must be arranged.

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Thank You

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